[illegible]					
France FFr7.00	Malaysia Rls4.25	Switz SFr2.30			
Germany DM2.20	Mexico Peso	Taiwan NT$65			
Greece Dr120	Morocco Dh8.50	Thailand Bht50			
Hong Kong HK$12	Neth Fl3.00	Tunisia Din0.900			
Iceland Ikr125	Nigeria Naira	Turkey L800			
India Rup15	Norway Nkr10.00	UAE Dh4.50			
Indonesia Rp3100	Oman OR1	USA $1.00			

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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BULLFIGHTING

Spain on the horns of a dilemma

Page 26

World News

US attacks Israel over human rights violations

THE US State Department's annual report on human rights strongly criticised Israel for increased violations and its publication is likely to strain already bruised relations between the two countries. Page 6

Polish power threat

A strike at the Belchatów open cast mine in central Poland threatens to cut supplies of brown coal to the nearby giant 4,320MW power station despite pleas from Solidarity for action to be suspended. Page 3

Gibraltar pledge

British Prime Minister Margaret Thatcher told Spanish Foreign Minister Francisco Fernandez Ordonez that Britain's commitment to Gibraltar was unchanged despite a major cut in the colony's military garrison.

Seaga cautious

Edward Seaga, Jamaican Prime Minister, has become more cautious about his chances of being re-elected for a third consecutive term in tomorrow's general election. Page 6

Bomb kills bomber

IRA guerrilla, James Connolly, 20, died after being blown up by a bomb he was planting under the car of a Northern Ireland police reservist.

Paris prison dispute

Police wielding riot shields cleared picketing warders from the gates of a prison in the Paris suburbs as warders continued a go-slow against planned jail reforms.

Doctors strike

A three-day, nationwide strike by Portugal's doctors over low pay, poor working conditions and hospital facilities is due to begin today. Page 3

SA police use whips

South African police wielding whips broke up a memorial service attended by schoolchildren in Soweto township commemorating the murder of Sicelo Dhlomo, a student leader, shot dead in mysterious circumstances.

Tokyo cargo banned

Air cargo has been banned from all domestic flights in and out of Tokyo's two airports for five days around the February 24 funeral of Emperor Hirohito to prevent sabotage.

Kosovo strikes

Strikes among ethnic Albanians in Kosovo, Yugoslavia's southern province, continued for a fourth day following the dismissal from the federal central committee of Mr Azem Vllasi. Page 3

Palestinian toll

Israel's Defence Minister Yitzhak Rabin says 360 Palestinians have been killed, and more than 7,000 wounded during the uprising in occupied territories.

Crew still missing

A Danish rescue helicopter found an empty lifeboat from the missing Norwegian cargo ship Stokksund lost in the North Sea but there was no sign of the four crew.

Sticky situation

Peak hour traffic near Bournemouth, on the south coast of England, was held to clear five gallons of glue which spilled from a lorry on a main road.

Business Summary

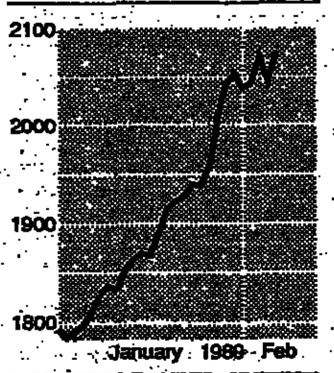
New Tokyo resignation in Recruit scandal

A sixth leading Japanese politician announced his resignation over his involvement in the Recruit financial scandal. Mr Saburo Tsukamoto, chairman of the opposition Democratic Socialist Party, said he would quit his post later this month.

His announcement will increase demands for more resignations in the ruling Liberal Democratic Party, whose members are most deeply implicated in the affair. Page 26

STRONG PERFORMANCES in both Tokyo and New York provided the trigger for a fresh advance in London equities.

FT-SE 100 Index



The British market also benefitted from the firmer tone in early Wall Street trading, taking the FT-SE index up 28.5 to close 2,072.8. Markets, Section 2

PLESSEY, embattled UK electronics group, put its defence against the proposed joint bid from Britain's General Electric Company and Siemens of West Germany into overdrive with a stinging attack on GEC's record in semiconductor manufacturing. Page 27

BLUE ARROW, world's largest employment agency, announced pre-tax profits of £75.3m ($130.5m) and dashed speculation, after months of boardroom turmoil, that it was planning a major restructuring or divestment programme. Page 27

S&W BERISFORD, UK sugar processing and commodities group, snubbed its biggest shareholder when Associated British Foods attempted to question the board about a controversial US deal at the company's annual meeting. Page 27

SCHLUMBERGER, world's largest oilfield service company, reported essentially static revenues and operating profits in the fourth quarter of last year because of renewed weakness in the US oil and gas drilling industry. Page 28

MB GROUP, which is planning to merge its packaging business with Carnaud, French packaging company, put forward new proposals to holders of its warrants in an attempt to outwit Elders Investments, holder of a blocking 35.1 per cent of the warrants, which is questioning the merger. Page 27

BANQUE INDOSUEZ, French investment bank, has taken a major stake in a leading brokerage house in Thailand, extending its coverage of the Far Eastern capital markets. Page 34

JAPANESE banks announced plans to adopt new accounting rules following allegations that they have been 'window-dressing' their results. Page 33

CANADA'S two largest pulp and paper groups, Abitibi-Price and Canadian Pacific Forest Products, reported big profit gains for 1988. Page 28

FOREIGN INVESTMENT in India rose sharply in 1988 to Rrs2.4bn ($159.9m), more than double 1987's total of Rs1.1bn. Page 4

China takes a gamble with oil market high rollers

IT STARTED with the issue of an operating licence to the noodle stand on the corner, and quickly led to re-establishment of the Shanghai Stock Exchange. Now, after 10 years of gestation, China's economic liberalisation has opened yet another doorway to capitalism, **writes Steven Butler in London.**

Somewhere in China's dusty and bureaucratic capital city, Peking, is a room with flashing computer screens and international telephone lines that is the heart of a global, round-the-clock oil trading operation.

In recent months, according to oil traders, Sinochem, the Chinese state refining, petrochemicals and marketing company, has joined the relatively small group of highly active traders in the forward market for North Sea Brent oil.

It is a high-risk, high-stakes market where, given the extraordinary volatility of oil prices, millions of dollars can be made or lost on a single transaction. Extensive trading losses have driven a series of big players from the market in the past three years and last autumn brought Kloeckner, the West German steel and trading conglomerate, to its knees after losing millions of dollars.

According to oil traders, China's foray into the Brent market is not a hedging operation aimed at reducing risks in an underlying physical oil trading business, but is speculative.

"They are in the market to make money," says one trader.

Most traders assume, although no one knows for sure, that Sinochem has made money so far, or else trading would have ceased. Many traders believe, however, that trading could come to an abrupt halt once losses are incurred.

"They'll be chopped off at the knees the first time they take a couple of hits," says a trader.

Sinochem has long been active as a trader of physical oil, but was not active in forward or futures markets. A large quantity of oil is exported to Japan and some to the US. Oil is sent to Singapore for processing and returned as refined product.

About two years ago, however, Sinochem began to show interest in increasing the scope of its oil trading and established direct contact with some of major oil companies.

The possibility of training oil traders on secondment was broached, but apparently not followed up. This is because of the long period needed for training – six or seven years, according to one oil company – and the likelihood that a talented trader would elect not to return to China.

This, however, has left the Chinese thin on the ground for experienced oil traders. Traders who deal with Sinochem say there are only about three highly qualified traders and about 15 to 16 trainees. The traders work in shifts throughout the day, always ready to trade over the telephone from Peking, with the activity focused on European and American trading hours, particularly the trading hours for

Continued on Page 26

AT&T set for Italtel partnership despite European competition

By Alan Friedman in Milan

STET, Italy's state-owned electronics and telecommunications group, yesterday announced a long-awaited decision to choose American Telephone & Telegraph (AT&T) as the prospective foreign partner for Italtel, Stet's telecoms equipment subsidiary.

The choice signals what could be one of the largest ventures between Italian industry and a US multinational in recent history.

The selection of AT&T – which beat European contenders, Siemens of West Germany, Alcatel of France and Ericsson of Sweden – means AT&T stands to win a big share of nearly $30bn of equipment contracts tied to Italy's five-year plan to modernise its telephone system.

The prospect of an AT&T-Italtel alliance also means Italy has finally embarked on an internationalisation strategy in the telecoms sector after years of delays, political controversy and failed projects such as the aborted 1987 merger of Italtel and Fiat's Telettra subsidiary.

In Rome yesterday, the board of Stet, which is part of the IRI state holding conglomerate, approved the choice of AT&T unanimously following a recommendation from Italtel. Stet said it had approved a phase of "conclusive negotiations with AT&T that are aimed at a global accord in the telecommunications sector."

It was hoped that an overall deal with AT&T could be wrapped up "rapidly, in the next month or two."

Shipment of public telephone lines in Europe, 1987	
Alcatel	3.5m
GPT	1.6m
Ericsson/CGCT	1.6m
Siemens/GTE	1.0m
Italtel	0.8m
Others	0.8m

Source: Dataquest/FT

The US group had won out over its European competitors because it offered the most in terms of equipment, telecoms technology and world market position.

The Italian concern said that in choosing AT&T the boards of Italtel and Stet had considered not just the future growth prospects of Italtel, but also the requirements of SIP, the state telephone service. "With AT&T we open up prospects not just in Europe, but internationally," it added.

The AT&T recommendation now goes to the executive committee of IRI, which is likely to approve the decision tomorrow.

According to Stet, the phase of technical and financial level negotiations between Stet and AT&T might see some involvement for Olivetti, the office automation concern in which AT&T has a 22 per cent stake.

Stet yesterday would not rule out the possibility of a shareholding link of some kind among AT&T, Olivetti and the Italian state telecoms company, but said this would depend upon AT&T.

The other suitors for Italtel's hand have waged a tough lobbying campaign in recent months, with the governments of France and West Germany said to have backed the case on behalf of Alcatel and Siemens.

AT&T is the only one of the four foreign contenders for Italtel not to have an established a presence in the Italian telecoms equipment sector, but the US group has pledged full autonomy to Italtel, according to Stet.

Hugo Dixon, in London, adds: The Italtel deal is a significant move in AT&T's strategy for building up a presence in Europe.

The US company originally hoped to penetrate Europe's telecoms markets via a joint venture with Philips of the Netherlands. This was only moderately successful, and Philips recently reduced its stake in the venture from 50 per cent to 40 per cent.

AT&T was also involved in last month's failed attempt to mount a consortium bid for Britain's GEC. If that bid had succeeded, AT&T would have taken a large share of GPT, the UK's largest telecoms manufacturer.

Ericsson of Sweden has a stake in the UK through its supply of System Y exchanges to British Telecom. It also has a share of the French market through its control of CGCT.

UK water flotation setback in Brussels

By Tim Dickson in Brussels

THE BRITISH Government's plans for privatising the domestic water industry suffered another major setback yesterday when the European Commission appeared to rule out any exemption for the UK from the Community's agreed water purity rules.

Permission to delay implementing EC standards is being sought by Britain on the grounds that early compliance will require a "multi-billion pound" investment programme for the newly privatised concerns. This could reduce, if not remove, the attractions of the industry for stock market investors.

Under the terms of the Water Bill, currently going through parliament, companies could be temporarily excused from meeting the EC's quality objectives provided they demonstrated that they were making efforts to meet them in due course.

Meanwhile, the row over the privatisation of Britain's water industry deepened as the ministers remained angry at the water companies' proposed price rises of 30 to 50 per cent, which look likely to go ahead despite Government pressure. The industry leaders insist that a high price rise is necessary to meet the challenge of the new regulations and to fund a big capital spending programme.

Mr Carlo Ripa di Meana, the EC's newly appointed environment commissioner, confirmed yesterday that discussions had been held with British officials but he stressed that the exemption idea "is not acceptable to the Commission." He described the clause in the UK bill as akin to "jumping over the EC's rules" and pointed

Continued on Page 26

Water price rises, Commons reaction, Page 8

An Uzbek woman greets her son as one of the last Soviet units crosses the border from Afghanistan at Termez

Soviets use airlift for final withdrawal

By Christina Lamb in Islamabad and Quentin Peel in Moscow

THE Soviet Union reported yesterday that its final withdrawal from Afghanistan was being accomplished by a massive airlift, with only a minority of its remaining 20,000 troops in the country leaving by the increasingly difficult road routes.

Meanwhile, all Soviet combat aircraft were reported to have left last night as the last stages of the withdrawal continued in an attempt to meet the February 15 deadline.

At the same time the Soviets issued casualty figures showing their forces appear to have suffered their worst casualties in the war during the past seven months, with the death toll now put at around 15,000 an increase of 1,800 in that period.

As the Soviet withdrawal continued an aircraft chartered by the United Nations was standing-by last night in Islamabad, the capital of Pakistan, with a 32-ton cargo of emergency food and medical supplies for Kabul, the beleaguered Afghan capital.

Meanwhile, further serious rifts appeared yesterday between the various Afghan resistance groups over the country's political future.

The new argument between the Afghan rebels concerns the allocation of seats in Friday's shura (religious assembly) to decide on a future government.

Continued on Page 26

Bush's tax proposals likely to trigger conflict with Congress

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush's first budget, to be presented tomorrow night, is expected to spark conflict between Congress and the Administration over proposals for tax cuts benefiting investors and business.

Along with his proposals to cut the Budget deficit, President Bush's advisers have signalled that he will urge a reduction in capital gains tax from the present 28 to 15 per cent for stocks and similar investments, as well as an extension of tax incentives for oil and gas exploration and for the creation of inner city enterprise zones.

However, Mr Dan Rostenkowski, the Democrat chairman of the House Ways and Means Committee, which has the crucial role in writing tax legislation, has warned against cutting capital gains tax. He disputes the President's claim that such a cut would pay for itself by producing more revenue than it lost.

Mr Rostenkowski has said: "If Bush rolls me on capital gains for the rich, I'll do something about raising the rates (on income tax for the best-off). I'm a Democrat. If you're going to curry favour with the wealthy with the excuse that they're going to invest and it's going to create revenue and jobs – well, my economists don't tell me that."

Thrifts rescue plan

President Bush's rescue plan for the savings and loan industry won a generally favourable reaction from Congress, though several key lawmakers hinted they may seek to amend the proposals. Page 26

He has made clear that this would be a reluctant option since he would prefer to leave rates alone and to protect the 1986 tax reform act.

This removed many tax reliefs and breaks for business and was a major move towards neutrality in the US tax system.

Mr Rostenkowski, a tough infighter and product of the late Mayor Daley's Chicago political machine, has said cutting capital gains tax would mean "the beginning of the end" of the 1986 reform, which his committee played a crucial role in creating.

However, there are differing strands within the leadership of the Democrat majority in Congress.

The currently beleagured Mr Jim Wright, the Speaker of the House of Representatives, favours an increase in top income tax rates, while Senator Lloyd Bentsen, the chairman of the parallel Senate Finance Committee, is more sympathetic to a limited cut in capital gains tax and supports incentives for oil and gas which would help his home state of Texas.

These discussions could be tied in with a parallel inquiry by various Congressional committees into the recent wave of leveraged buy-outs.

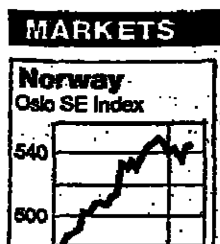
Mr Rostenkowski has talked of bringing forward a bill later this year with direct tax implications, though Mr Nicholas Brady, the Treasury Secretary, has argued that the general sentiment on Capitol Hill is that "people want to watch and wait some more" before attempting to do anything legislatively to address the matter.

On the spending side, the President's advisers confirmed yesterday that he would propose freezing defence expenditure in real, inflation adjusted, terms, thus cutting back the 2 per cent rise proposed for fiscal 1990 in the Budget of the outgoing Reagan Administration a month ago.

MARKETS

Norway

Oslo SE Index



INTEREST RATES
US lunchtime
Federal Funds 9¼% (8⅞%)
3-mth Treasury Bills: yield: 8.839% (8.799%)
Long Bond: 101⅝ (101½)
yield: 8.836% (8.848%)
London
3-month interbank: close 12 11/16% (12⅝%)

STERLING
New York lunchtime
$1.7415 (1.73625)
London:
$1.7425 (1.7330)
DM3.2550 (same)
FFr11.0725 (11.0825)
SFr2.7650 (2.7675)
Y225.25 (224.75)

DOLLAR
New York lunchtime
DM1.86725 (1.87125)
FFr6.355 (6.3880)
SFr1.58675 (1.58925)
Y129.3 (129.375)
London:
DM1.8675 (1.8785)
FFr6.3550 (6.3950)
SFr1.5865 (1.5965)
Y129.25 (129.65)

GOLD
New York latest
Comex April $396.3 (396.9)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av. 2,347.5 (+26.43)
S&P Comp 298.92 (+2.88)
London:
FT-SE 100 2,072.8 (+28.5)
World:
144.13 (Mon)
Tokyo
Nikkei Ave. 31,880.65 (+51.90)
Frankfurt
Commerzbank 1,687.0 (+13.2)

OIL
Brent 15-day (Argus) $16.65 (+0.20) (Feb)
West Tex Crude $17.525 (+0.5) (Mar)

CONTENTS

Zimbabwe faces test of economic survival

Zimbabwe is facing a crisis of unfulfilled promise if Prime Minister Robert Mugabe's government fails to regain the economic momentum of the years following independence

Page 4

Brussels to unveil plans for curbing tax evasion when capital controls are lifted

By David Buchan in Brussels

THE EUROPEAN Commission is expected today to table a tax plan which its president, Mr Jacques Delors, claimed last weekend will make "fiscal paradises like Luxembourg disappear" from Europe.

The proposal seeks to impose a common minimum 15 per cent tax-at-source on income which EC residents derive from bank deposits, many savings accounts and some bonds. It is sure to trigger another fiscal fight in the EC Council of Ministers, not only from the "paradise" of Luxembourg, but also the UK, and several more states with objections of detail to the plan.

At stake is the implementation, or at least the smooth functioning, of the European Community's main internal market decision of 1988 – the commitment by the eight richer states to lift all capital controls by July 1 1990, with the rest following later.

At the time of last June's capital liberalisation move, France demanded, and got, agreement that the Commission should by last December 31 produce plans to reduce the post-1990 risk of tax evasion and that the Council should act on those plans by the middle of this year.

After much obfuscation on the issue, the French Government now seems to have backed away from its "no tax plan, no capital liberalisation" threat. But Mr Pierre Bérégovoy, the Finance Minister, has warned that France's partners must expect that if, after mid-1990, Paris is faced with a big outflow of tax-shy French money it may well invoke its "safeguard" right to re-impose foreign exchange controls.

The Commission is five weeks late with its plan, ostensibly because Mr Delors said he wanted more time to consider the sensitive tax plan, but more plausibly because he wanted to dissociate the plan from the name of Lord Cockfield, the Commissioner responsible until last December for tax affairs, who became a byword (to the UK Government at least) for inflexibility on fiscal matters.

The plan, which will now go to finance ministers of the Twelve on February 13 under the name of Mrs Christiane Scrivener, Lord Cockfield's successor on tax, aims at reducing the difference between the way in which unearned income of Community residents and non-residents are taxed.

In theory, it will apply to all who are resident in the EC for tax purposes. But it will only be notional for those who have savings or bond income in the same EC state where they reside; this income is subject either to withholding taxes for residents which are higher than 15 per cent (except for Italy and Greece), or to marginal rates of personal income tax which are again higher than 15 per cent.

By contrast, several states impose no such withholding tax on income of non-residents, while those taxes-at-source that do exist differ widely.

Community nationals who are residents of third countries would not be affected. That is to say, a Belgian resident in the US would not pay the tax, though a US resident in Belgium for tax purposes would.

The Commission decided, in the end, that shares need not be covered by the proposed minimum 15 per cent levy. This is because enough EC member states have provision for some kind of withholding tax, even for non-residents, on share dividends for there not to be a serious risk of fiscal distortion here.

Other investments proposed for exemption are internationally issued and trade Eurobonds and certain tax-free arrangements for small savers.

Britain in hot water with Commission

By Tim Dickson in Brussels

THE BRITISH Government is in hot water in Brussels for not implementing key legislation on water safety agreed by EC states almost a decade ago.

But while the European Commission's refusal to compromise at this stage has dramatically thrown another spoke in the already wobbly wheel of UK water privatisation, the sudden focus on two almost forgotten directives is also embarrassing for other Community countries.

The EC's package of common standards on water provide a perfect case study of the political and practical difficulties of translating European law into reality at the level of the member state.

EC directives cover a wide range of different areas such as surface water, underground water and the protection of fish, but by far the two most important deal with bathing water and drinking water.

The drinking water directive, which was agreed in 1980 with a five-year delay for implementation, is highly complex but essentially fixes maximum advisable concentrations of more than 60 so-called "undesirable substances" (including aluminium, nitrates, lead and manganese iron). Various smell, taste and colour tests also have to be carried out by the member states.

The bathing water directive, agreed way back in 1975 with a 10-year "grace period" for implementation, lays down minimum standards and testing requirements for those beaches "designated" by the member states as places popular for those who enjoy a dip.

The trouble in the case of both directives is that ministers' political commitments at the time of the negotiations appear to have been built on shallow foundations.

Frequent infringements have been brought to the Commission's notice with the result that a string of legal proceedings have been started, or are well under way.

Under the relevant article of the Treaty of Rome the Commission sends a formal notice letter to the offending state, follows this up with a "reasoned opinion" setting out the Brussels view of EC law, only going to the European Court of Justice as a final resort.

Thus, on bathing water violations, letters have been sent or will be sent to Belgium, Denmark, West Germany, the Netherlands, Ireland, Spain, France and the UK, and a reasoned opinion has been sent to Italy. In the UK 40 per cent of designated beaches do not conform with the directive.

On drinking water the Belgians and the French are being taken to court, and West Germany, Denmark, and Britain have received or will receive reasoned opinions. A second action has been started against Italy after renewed concern at the level of two dangerous pesticides, atrazine and molinate, found in drinking water.

The alleged UK infringements include unauthorised levels of lead found in Scotland, excess aluminium levels in some parts of the country, and high nitrate concentrations on agricultural land.

By all accounts UK officials have been arguing that a "billion pound" investment programme is still needed for the water industry to meet EC standards and that the newly privatised companies need more time to meet this obligation.

British government scientists have also been telling Brussels officials that the EC standards are needlessly high – but as one Commission environmental expert pointed out yesterday: "These directives were both agreed unanimously in the days before majority decisions. Nobody can complain that they were outvoted."

'Women and drink' bring downfall of Soviet Mufti

By Quentin Peel, recently in Tashkent

THE LEADER of the largest group of Moslems in the Soviet Union, the Mufti of Tashkent, has been dramatically dismissed after Moslems staged a demonstration accusing him of "womanising, drinking alcohol and playing billiards."

The extraordinary events took place in the Uzbekh capital over the past four days, in the most vivid indication to date of a big rise in religious belief among the country's large Moslem community.

An emergency meeting of the presidium of the religious board of Moslems in Central Asia and Kazakhstan – the state-sanctioned leadership of some 30m believers – took the decision on Monday, and it was confirmed in Moscow yesterday.

Mufti Shamsutdin Bakhanov, who inherited the job from his father, the first to be appointed by Stalin in 1943, was accused by the demonstrators in Tashkent of drinking alcohol, womanising, and even, according to one, of playing the game of billiards.

"His behaviour was not right for a church leader," according to a believer attending the Tilla-Shekh mosque, where the demonstration began last Friday.

More than 200 Moslems, many from the rural areas in Uzbekhistan, and neighbouring Tadzhikistan and Kazakhstan, marched from the mosque into the centre of town, demanding a meeting with the government authorities to replace their religious leader.

The demonstration followed a three-hour meeting, according to Tass news agency, which "put forward demands concerning questions of their religious organisations, and insisted on the interference of government organs in the affairs of the religious board."

However Mr Gairat Kadyrov, chairman of the Uzbekh Council of Ministers, refused to intervene, and told a delegation of 25 that they would have to be "tackled by the clergy."

The presidium of the religious board summoned its members from the surrounding republics on Monday, and decided on a temporary replacement, pending a full Moslem congress in the spring.

The stand-in leader was named as Mama Yusupov Mohammed Sadiq, the 36-year-old rector of the Islamic Institute of Tashkent.

Mufti Bakhanov, who is himself only 52, flew to Moscow on Monday night after the meeting. In an interview on the aircraft, he insisted that the demonstrators were actually calling for more mosques to be opened, a burning issue for Moslems in the current climate of growing religious tolerance by the Soviet authorities.

The Mufti's removal appears to have been finalised in Moscow yesterday, and was confirmed by the Tashkent newspaper Pravda Vostoka only after a message had come from the capital.

The Soviet authorities, who have traditionally only allowed safe political appointments to key religious positions, have clearly moved very swiftly to head off a potential rebellion among the large Sunni Moslem population in Central Asia – suggesting acute sensitivity to any hint of a religious revival.

Pandora's box of Ottoman history quietly creaks open

Evidence of ethnic killings may be revealed, says Jim Bodgener

Armenians massacred in Turkey as depicted in Le Petit Parisien

VISITORS to the Ottoman archives administration might expect musty corridors lined with shelves of mildewed and decaying files. On the contrary – the unit is housed in modern offices, appropriately in a narrow street off Istanbul's ancient Hippodrome. Its staff is busily restoring and classifying a chaotic mountain of bureaucratic files and correspondance spanning the four centuries of the Ottoman empire.

Last week, the unit blinked under the international spotlights when Turkey's Foreign Minister, Mr Mesut Yilmaz, announced that archives relating to the late Ottoman period would be opened up to bona-fide researchers. Speculation immediately arose that some scrap of evidence might be unearthed once and for all to settle Armenian allegations that Ottoman forces perpetrated genocide on 1.5m of their number in eastern Turkey during the First World War.

The Turkish Government accepts that about 300,000 Armenians died as a result of wholesale deportations for siding with Russia in the Great War, but denies Ottoman forces were explicitly ordered to commit mass killings by Interior Minister Talat Pasha, one of the triumvirate of the Committee of Union and Progress (CUP).

But if there were a smoking gun in the archives, the Government would accept it, said Mr Turgut Ozal, the Prime Minister, in his new year press conference.

The issue is still inflames Turkish sensibilities – particularly since 41 Turkish diplomats and their relatives have been killed in Armenian terrorist attacks since 1973. It is an unsettling undercurrent in relations with the EC and its members and led to the loss of a big civilian radar contract in 1987 because French representatives in Strasbourg voted for a resolution criticising Ankara for failing to acknowledge the massacres.

The Turkish Government is incensed over repeated attempts by the Armenian lobby in the US to persuade Congress that April 24 should be a national day of remembrance for the victims of the alleged genocide.

Another controversial episode of the period is the bloody repression of Balkan nationalism. Relations with Sofia reached a nadir recently due to its enforced Bulgarisation of Bulgaria's large Turkish minority.

All this seems a long way from the bright and airy office of Professor Ismet Miroglu, the head of the Ottoman archival unit.

Last month he explained that the unit's work speeded up greatly following his appointment in May 1987, shortly after Turkey lodged its full EC application membership. Its staffing was increased to 400 from 55, and it moved into the office blocks the following month.

At Professor Miroglu's direction, the archivist's primary focus was switched from 15th and 16th century land registrations and sultans' firmans (decrees) to the late Ottoman period from 1800 onwards. "It was closer to modern history," said Professor Miroglu. The first archives of the late period will be ready for inspection in about four months.

The archives, jumbled up in files, sacks and boxes in ten buildings in and around Istanbul, roughly comprise – no-one knows quite how many – around 60m-100m documents and about 250,000 defters or ledgers. "Until we open a box or sack, no-one knows what's in it," Professor Mirogin said.

Classification and cataloguing from late Ottoman times only scratched the surface until 1987. So far, about 57 per cent of the defters have been processed, but only 8 per cent of the documents.

It is difficult and painstaking work, since the documents are written in Ottoman-Turkish script, capped by the fact that financial accounts are written in code. Professor Mirogin admits that progress is constrained by a scarcity of staff who can read and understand it.

Bureaucratic impediments perhaps have given rise to the misconception that foreign researchers are excluded. Since permission was first granted in the early 1960s, their number has risen steadily – there were 87 in 1988. But access for foreign and Turkish researchers alike has been restricted to already catalogued documents.

Overseas assistance has been solicited for restoration and other technological fields. The unit also hopes to draw soon on the knowledge of two Balkan academics, specialists in the script and history of the late Ottoman period.

Western archival experts may also be asked to help with the actual processing of the documents. But would they help in the work presently underway? "We have no problem for the late period, we can take care of it ourselves," said Professor Mirogin.

French plea on chemical arms

By William Dullforce in Geneva

MR ROLAND DUMAS, France's Foreign Minister, yesterday urged arms negotiators here to "force the pace" in reaching a worldwide convention banning the production, stockpiling and use of chemical weapons.

The minister, formally presented to the 40-nation UN disarmament conference at the start of its spring session the declaration from last month's Paris conference, in which 149 nations promised not to use chemical arms and called for their elimination.

That declaration had provided both a point of reference and fresh political impetus for the talks in Geneva, Mr Dumas said. The talks have been going on for nine years.

However, most negotiators here believe that final agreement can be achieved next year at the earliest, and Mr Dumas himself enumerated some of the remaining difficulties. They include:

- Adequate verification of compliance with a convention covering weapons that can be made in small plants using freely available commercial chemicals.
- It has been agreed that two sorts of inspection – routine control of known chemical plants and "challenge" inspections to check that countries are not producing forbidden chemicals covertly – are needed but the legal and technical systems for effecting controls are still being argued over.
- The order of destruction of existing weapons and plants and ways of ensuring security during the transitional period. France has recently made its own contribution here by dropping its insistence that countries should be allowed to preserve stocks of chemical weapons until other powers had reduced theirs to equitable levels.
- The scope of the eventual ban, which is being negotiated by only 40 governments. The Paris conference both underscored the need for a truly global ban and the reluctance of some Arab states to abandon the possibility of keeping arsenals of chemical weapons as a counter to the nuclear arms they believe Israel to possess.

Three Arab countries – Libya, Syria and Tunisia – outside the 40 participants have already asked to address the UN conference.

Iraq, which used chemical weapons in its war with Iran, is expected to table its request this week. Previously, Iran has always blocked Iraqi intervention in the conference.

Spain might build airport to rival Rock's

By Robert Mauthner, Diplomatic Correspondent

SPAIN WILL consider building its own airport on the Spanish side of the Gibraltar border if the Gibraltarians continue to block the Anglo-Spanish agreement on the joint use of the Rock's airport.

The possibility of such a move was raised by Mr Francisco Fernandez Ordonez, the Spanish Foreign Minister, in the margin of his talks in London yesterday with Sir Geoffrey Howe, the British Foreign Secretary. He also had a meeting with Mrs Margaret Thatcher, the Prime Minister.

At a news conference following the annual Anglo-Spanish exchange of views on Gibraltar, Mr Fernandez Ordonez said that, while Anglo-Spanish relations had greatly improved recently, they were still not as good as between Spain and other West European countries. The main obstacle to a fundamental improvement in bilateral relations remained the problem of Gibraltar.

However, Spain welcomed last week's decision to withdraw the British army contingent from the Rock as a sign of goodwill, though it understood that the Government had taken the decision on its own merits.

Under the 1987 airport agreement, which the Gibraltar House of Assembly has so far refused to ratify, Gibraltar airport passengers coming from or going to Spain would transit through a terminal on the Spanish side and would not have to pass through Gibraltar frontier controls.

The British Government, according to the Spanish minister, had reiterated its desire to see the airport agreement implemented. But Sir Geoffrey also asked his Spanish opposite number to take steps to eliminate long delays presently suffered by motorists on the Spanish side of the Rock's border.

Mr Fernandez Ordonez, who said the talks were friendly, declared Spain had reiterated its historical claim to sovereignty over Gibraltar, while Sir Geoffrey had repeated Britain's promise not to allow any transfer of sovereignty as long as the people of Gibraltar opposed to it.

The Spanish minister said his Government was willing to discuss with Britain any formula for a long-term solution of the problem of the Rock's status, including a formal transfer of sovereignty while ensuring a large measure of autonomy for the people of Gibraltar.

What Spain would like was a joint Anglo-Spanish approach to the whole problem. However, British officials stressed that the UK was "not prepared to gang up with Spain against Gibraltar." It was up to the Gibraltarians to decide on their own future.

Malta seeks cable TV bidders

By Godfrey Grima in Valletta

MALTA'S Government is looking at cable television as a way of introducing private stations on the island without prompting a serious conflict with the opposition Labour Party and the trade unions.

A call for tenders, aimed principally at foreign cable companies, for a 15-year licence has just been made. Creating new broadcasting channels in addition to the island's state-run network remains an unfulfilled election pledge by Mr Eddie Fenech Adami, the Prime Minister.

The Labour Party and the island's 30,000-strong General Workers Union oppose the privatisation of broadcasting, which was taken into the public sector along with with banking and telecommunications by past Socialist administrations.

Last month delegates at the ruling Nationalist Party's annual meeting criticised the Government for failing to reform broadcasting. The main thrust of complaints was levelled at television news which, it was claimed, was still biased in favour of Labour.

The Government's plan is to remove politics from the state-run station. The new cable network will provide a special channel for use by the political parties and for screening parliamentary debates.

It is likely to distribute programmes broadcast by at least 15 stations, probably Italian, many of which the Maltese pick up for free.

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EUROPEAN NEWS

Pollution warning by Italian power industry

By John Wyles in Rome

LEADERS OF Italy's energy supply industries yesterday stressed that environmental controls on the burning of fossil fuels were now as urgent a national priority as the construction of new power stations to avoid electricity shortages in the 1990s.

Presenting the Annual Report on Energy, Mr Franco Reviglio, chairman of ENI, the state energy group, warned that, in the absence of a proper plan, energy consumption in Italy would rise by a quarter by the year 2000 with a resulting 20 per cent rise in noxious emissions.

This forecast is the product of a special ENI working group which, among other things, has elaborated a pollution index to measure combined outputs of carbon monoxide, sulphur dioxide and nitrogen oxide.

The group predicts a 28 per cent rise in global consumption of fossil fuels by 2000 with a consequent 25 per cent rise in emitted pollution.

Mr Reviglio's warning comes at a time when public sensitivity to atmospheric pollution in Italy has never been higher. A long drought and bright windless days have raised the quantities of noxious substances in the air of several large cities, from Milan to Bari, to unacceptable levels.

The ENI chief called his pollution forecast "an unsustainable level for our country" and called for a variety of energy saving measures together with greater diversification towards the use of gas in electricity production.

These moves would at least keep current pollution levels constant, he said. But the overwhelming need was for parliamentary approval of Italy's national energy plan which could reduce emissions to half their current levels.

The plan and its accompanying measures have been making predictably slow progress since their presentation to Parliament last summer and autumn. They aim to fix ceilings on polluting emissions and to offer incentives for energy saving.

Separately, an Environment Ministry proposal is still awaiting clearance from the Finance Ministry which would give a L50 per litre price advantage to lead-free petrol instead of the L25 disadvantage it currently suffers in comparison with the "super" grade.

The importance of the energy plan was also stressed yesterday by Mr Franco Viezzoli, the chairman of ENEL, the state electricity authority. He said Italian electricity demand had been growing at a faster rate than in the world at large and the country was so lacking in production capacity that electricity imports had grown by 35 per cent in 1988.

The electricity lines now connecting Italy with foreign suppliers – principally France – were working at their maximum safety limits.

Mr Viezzoli claimed that a supply emergency should be avoided thanks to a decision to expand current production capacity by MW 3000, but he pleaded for swift approval of the energy plan so as to establish clear procedures and predictable timetables for the construction of new power plants.

Nationwide doctors' strike in Portugal

A THREE-DAY, nationwide strike by Portugal's doctors in protest at low pay, poor working conditions and hospital facilities is due to begin today, AP reports from Lisbon.

Dr Antonio Bento, general secretary of the Independent Doctors' Union, said minimum emergency services would be maintained.

The doctors have asked Ms Leonora Beleza, the Health Minister, for better pay, strictly regulated working hours and better facilities in Portugal's hospitals and health centres.

Solidarity tries to persuade coal miners in pay protest to return to work

Strike complicates Polish talks on economy

By Christopher Bobinski in Warsaw

A STRIKE at the Belchatów open cast mine in central Poland which started on Monday threatens to cut supplies of brown coal to the nearby giant 4,320 MW power station.

Solidarity supporters at the mine are demanding the introduction of a new wages scheme just as the banned trade union and the authorities are starting negotiations on a pact which would return Solidarity to public life.

Yesterday afternoon Mr Aloyzy Pietrzyk, the Solidarity miners' delegate to the talks, went to the area to try to persuade the strikers to suspend their protest.

On Monday 2,000 of the 12,000 workforce at Belchatów went on strike, and a further 2,000 stopped work yesterday. All coal extraction was stopped for half an hour yesterday in support of demands for the start of talks with officials from Warsaw.

The strike committee has said it will consider bringing coal output to a halt, thus threatening power supplies for central Poland, unless the authorities agree to talks by midnight.

Meanwhile, in Warsaw talks on economic issues are scheduled to start today between a Solidarity team led by Mr Witold Trzeciakowski, an expert on foreign trade, and Mr Wladyslaw Baka, the Communist party secretary responsible for the economy.

However, "Economic Action", an umbrella group linking several of Poland's independent free enterprise groups which have been established over the past year, has called on the Government to remove price controls on consumer goods, cut subsidies to industry and reduce taxes on enterprises.

Several members of the group are in the Solidarity team for today's talks and the statement marks the emergence of a serious difference of opinion between them and the more social democratic wing of the movement.

Economic Action criticises the Government and the majority of the opposition for trying to achieve a short-term easing of economic pressures and warns that attempts to dampen inflation will fail in any case. Instead, the market should be allowed to determine which companies go bankrupt and which areas of production should be developed.

Economic Action admits that inflation would accelerate with the removal of price controls, but suggests that wages be indexed to prices for a period to protect real incomes.

The Government, it says, should sell off state-owned housing, together with parts of industry, to boost budget revenues as well as make big cuts in defence spending.

Protests threaten to ignite Kosovo tensions

By Judy Dempsey in Vienna

STRIKES AMONG ethnic Albanians in Kosovo, Yugoslavia's southern province, continued for a fourth day yesterday following the dismissal from the federal central committee of Mr Azem Vlasi, a former Kosovo party leader.

If continued, the strikes are likely to fuel existing tensions between the ethnic Albanians in Kosovo and the party leadership in the republic of Serbia.

They first started in the zinc mines last Saturday and have since spread to more than 20 enterprises involving thousands of angry ethnic Albanians. The strikers are demanding valid reasons for Mr Vlasi's dismissal from the central committee last week.

Both he and Mrs Kacusa Jasari were forced to resign last November from the Kosovo leadership following unremitting pressure from Mr Slobodan Milosevic, Serbia's powerful party chief. The incident sparked large street demonstrations in Kosovo demanding their reinstatement.

In addition, the strikers reject greater Serbian control over the province, which, although constitutionally linked to Serbia since 1973, has until recently enjoyed a wide degree of autonomy.

But Mr Milosevic wants Kosovo under Serbia's direct rule on the grounds that the province's leaders are not doing enough to protect the Serbian minority from intimidation by the largely ethnic Albanian majority or to stamp out "counter-revolutionaries" among the ethnic Albanians.

While the Kosovo leadership has sought to reassure the Serbian minority, Mr Milosevic has used nationalist-inspired mass demonstrations to exert pressure on it to resign.

However, such heavy-handed tactics have led to growing anti-Serbian feelings among young and unemployed ethnic Albanians in the province, one the country's poorest regions. Albanian intellectuals there and liberal-minded Serbs now believe the cycle of mistrust and suspicion on both sides will be difficult to break down.

At the same time, it has created growing concern among the other republics which have already seen Mr Milosevic and his supporters topple the party leaderships in Vojvodina and Montenegro.

The federal party leadership seems at a loss to know how to deal with the Kosovo problem.

Opposition sets terms for co-operation with Hungarian party

By Leslie Colitt in Berlin

OPPOSITION GROUPS in Hungary have offered to co-operate with the Communist party if it retracts the official view that the 1956 Hungarian uprising was a "counter-revolution."

Mr Imre Pozsgay, the ruling politburo's leading reformer, jolted the party leadership last week by calling the uprising a "popular" one. He was sharply criticised by Mr Karoly Grosz, the country's leader, who called a central committee meeting on the subject for this Friday.

A statement by 15 opposition organisations reported in the official media said the nation's severe economic, social and moral crisis had led them to offer a "coalition" with the party or a "constructive" opposition in order to find a solution. This, however, was only conceivable if the party admitted that the uprising was a popular upheaval against the Stalinist state.

Among the organisations which issued the statement were the largest opposition group, the Hungarian Democratic Forum as well as the newly-formed Small Landowner's Party and the Social Democrats.

The influential Hungarian Writer's Union joined in support of Mr Pozsgay but the staunchly anti-Communist Alliance of Free Democrats said this view did not go far enough. It called the uprising a "democratic revolution" but its statement was heavily censored in the media.

Communist party officials said the forthcoming central committee meeting was unlikely to heal the growing rift between Mr Grosz and Mr Pozsgay, whose values are closer to those of social democracy.

In a poll taken among university students last November, Mr Pozsgay came out well ahead of Mr Grosz in political leadership ability and in personal popularity. His standing among ordinary Hungarians is also the highest of any politician.

The dilemma for Mr Grosz is that, while openly criticising Mr Pozsgay for his political views, he cannot afford a running conflict with him without risking a further erosion in his own popularity.

● Three United Nations officials have arrived in Budapest for talks on helping the Hungarian authorities cope with an influx of Romanians seeking asylum, Reuter reports.

Danes resist EC pressure over VAT

By Hilary Barnes in Copenhagen

A MEETING with the media was not on the programme when the European Community tax commissioner, Ms Christiane Scrivener, came here yesterday for talks with Mr Niels Helveg Petersen, the Economy Minister.

This may well have been a tactful omission. Denmark's high level of indirect taxation – a single 22 per cent VAT rate and high excise taxes on a wide variety of goods – presents the country with a serious adjustment problem as 1992 and the completion of the EC internal market approaches.

But Mr Helveg Petersen has indicated in recent weeks that Denmark will move only reluctantly to bring its tax rates more closely into line with those prevailing in the rest of the EC.

Denmark would not abolish frontier controls in 1993, he said in connection with the publication of a report by officials on the indirect tax problem. "No one takes open frontiers seriously," he said.

Frontier controls would be needed to control immigration, terrorism and veterinary regulations, so the customs service would continue to check for goods evading Danish duties.

He said that the Government also intended to maintain high excise taxes on beer, wines, spirits and tobacco, and energy products.

The report by officials suggests that it may be necessary to reduce the VAT rate to 20 per cent, but Mr Helveg Petersen made no commitment.

He also saw no reason why the country should introduce variable VAT, with a lower rate on food, as proposed by the European Commission. As frontier trade with West Germany in food was not a serious problem, "we don't think it is necessary to consider this measure," he said.

Meanwhile, the Government has indicated that it will present important tax reform proposals in the summer. These will be designed to reduce marginal income tax rates and lower the corporate income tax, both of which are also among the highest in the EC.

S Africa tightens up controls on foreign exchange

By Anthony Robinson in Cape Town

THE South African Reserve Bank has tightened up foreign exchange controls and bank supervision in the wake of embarrassing revelations of large-scale fraud involving Financial Rand transactions.

The move to appoint Mr Japie Jacobs, a deputy governor as co-ordinator of the banking supervision and exchange control departments and appoint nine new inspectors in the foreign exchange department aims to prevent a recurrence of violations revealed by the Harms Commission report into corruption in the Ciskei and Transkei homelands.

The judicial commission chaired by Mr Justice Harms found that the Reserve Bank's forex department had approved a series of deals involving 100m Commercial Rand (£23.6m) and 82m Financial Rand (£13.4m) for Mr Albert Vermaas, a wealthy Pretoria lawyer, unaware that the Registrar of Banks and Institutions was investigating him for illegally accepting deposits and other offences.

Further investigation by the commission found that Mr Vermaas, a man with close personal connections with senior government, military and Reserve Bank officials, had imported aircraft, spares and other equipment at grossly inflated invoice prices using funds imported via the Financial Rand.

South Africa reintroduced the two-tier rand system in September 1985 in the wake of the withdrawal of several foreign banks. The 40 per cent discount between the Commercial Rand, used for all current transactions, and the Financial Rand, used for financial and capital transactions, has attracted large scale, highly profitable but usually illegal "round tripping" between the two currencies.

The commission found that neither the foreign exchange nor any other Reserve Bank department dealing with Mr Vermaas's affairs was aware of the Registrar's investigation into his Ciskei-based Eurobank, which was illegally taking deposits from South African citizens by offering interest rates of up to 40 per cent. On cross-examination the head of the foreign exchange department told the commission that it was "too busy" to vet properly the 1,300 foreign exchange applications it received every week.

The Vermaas affair is one of a series of alleged corruption cases which have surfaced in recent months leading to the resignation of ministers, MPs and senior officials. Corruption has now become a big political issue and the Government faced attacks on the issue from both left and right when parliament opened this week.

The Afghan way of forming a government

Robin Pauley explains the workings of the divided victors' consultative assembly

ON FRIDAY, five days before the formal end to the Soviet occupation of Afghanistan, a large, motley group of Afghans are due to gather in Rawalpindi, Pakistan, to establish the future government of their country.

The gathering will be a *shura* (consultative assembly). This is important because it means that its deliberations will be strictly tied to Islamic doctrine. The *shura* is a uniquely Islamic institution. Its members are elders of the religious community and its purpose as an advisory and consultative body is carried out within a religious framework.

Leaders of the resistance to the Soviet occupation could have called an entirely different kind of meeting, a *jirga* (council) which is uniquely Afghan. It is traditionally secular but both religious and communal elders can take part.

It can be called at any level – village, tribal, provincial or national – and is the traditional forum for settling disputes. All adult male members of the relevant community can attend and vote, although they usually consult before voting with their families, within which women wield considerable influence. The *jirga*, essentially secular, can follow social trends and adapt to the circumstances of the moment unlike the *shura* which is bound to religious orthodoxy.

For issues of great national importance a *Loi Jirga* (Great Council) can be called. In these the local and tribal leaders – maliks and khans – usually represent their constituencies.

In some senses it might have been more representative to call a *Loi Jirga* than a *shura* for a matter as important as the future shape of Afghanistan's Government. But that might not fit with having won a *jihad* or holy war. This is a war fought specifically in defence of Islam against its enemies. As the Soviet Union and the Communist regime it supported in Kabul had active policies against religion, the resistance to it was a real *jihad* and the resistance fighters true warriors of Islam or *Mujahideen*.

The leaders of the various resistance groups are all Moslem. The alliance of seven based in the Pakistani border town of Peshawar are Sunni Moslems, some fundamentalist, some moderate. The Sunnis are the majority sect in both the Islamic world and in Afghanistan, representing between 75 and 85 per cent of the population.

The eight groups based in Iran are Shia Moslems, mainly from western Afghanistan, who unlike the Sunnis have a tradition of hierarchical and authoritarian religio-political leadership. The Shias, persecuted by the majority Sunnis in the years before the Soviet invasion, are just as divided and factionalised as the Pakistan-based groups, in spite of the Shia tradition of a unified and doctrinal leadership.

Having won their *jihad*, beaten the great Soviet superpower into a humiliating military retreat, the religious leaders are not about to listen to secular voices.

So a *shura* it will be on Friday. But it is proving extremely difficult to organise and has been delayed at least five times. It started out as a proposal to include just 60 members. It is growing like "Topsy", partly because the moderates thought that the bigger it was the less chance the fundamentalists would have of taking control of it, and has now got to 519, with rumours that it might have to go up again to 539.

At 519, the proposal is that each of the seven Sunni resistance groups based in Pakistan sends 60 representatives, the eight Shia groups based in Iran send 10 each.

Hardly any field commanders, the real Afghan force now, are planning to attend, so the meeting will not be representative of present realities within Afghanistan.

In addition 19 seats have been reserved for "Good Moslems." The latter are people who may be working at low levels within the Kabul administration or who may be members of the government without being members of the ruling Communist People's Democratic Party of Afghanistan. For example, Mr Asis Zahir, Minister for Local and Rural Government, is top of the list of Good Moslems; he is not a member of the PDPA.

It is not clear whether any of the 19 seats for Good Moslems will be taken up, because their security in travelling to Pakistan and when they return to Afghanistan cannot be guaranteed.

There are no seats on Friday for any members of the PDPA. This refusal to involve the Kabul regime in talks about the future of government has blocked a political compromise under which Moscow would have been prepared to shift President Najibullah's Cabinet out of the country.

But the nature of a *jihad* and the definition of a *shura* makes it impossible to consider a place for the "enemies of Islam". It would have been easier within the framework of a *jirga* which is one reason why the resistance leaders in Peshawar rejected early calls for a *jirga* and insisted on a *shura*.

The *shura* is supposed to consider an interim government for Afghanistan. Its chances of success are not good. First the rules of the *shura* will be decided by the *shura* itself. At the moment the Pakistan-based alliance of seven is joint chairman: seven people who disagree profoundly with each other are all supposed to chair the meeting. At least two of the seven have said they will not accept a single Shia representative it is difficult to see how anybody is going to be able to speak at all.

But they may muddle through. If they do they must decide on a government. Some want the interim government which was thrown together for no discernible reason last year. It was a largely a collection of nobodies under Ahmed Shah. He clearly thinks his team may be approved as he has called those that drifted off to the US and Europe back to Peshawar and, realising the unsuitability of his Caribbean wife, he has quickly availed himself of the right to up to four wives by taking a second, this time a "good Afghan Moslem".

Other leaders have warned that their factions will continue the armed struggle against this government if it is approved.

The meeting will not be short, assuming it is not called off in disarray. If each of 519 members limited himself uncharacteristically to only 15 minutes of speaking the *shura* would last more than five days without break.

Investment in India by foreigners lifts sharply

By K.K. Sharma in New Delhi

FOREIGN INVESTMENT in India rose sharply in 1988 to Rs2.4bn ($161m), more than double 1987's total of Rs1.1bn.

In 1988 the number of agreements between India and foreign companies for technological collaboration and equity participation also rose by just over 10 per cent. Officials claim the trends show a marked improvement in the foreign investment climate in the country and a growing eagerness by foreign companies – particularly those in the US, Germany, Britain and Japan – to take advantage of New Delhi's liberalised foreign investment policy.

However, foreign investment is still tiny compared to total investment in India. The Government's policy continues to be selective and foreign companies are not normally allowed to own more than 40 per cent of the equity in ventures with Indian partners.

While the emphasis continues to be on investment in high technology or in export oriented areas, the policy has been applied with more flexibility in the last couple of years.

Most applications are either accepted in principle, given a conditional approval or rejected within 90 days of being presented although some applications can still take months or even years to be dealt with. A "fast track" has been opened in the case of investment from countries such as Japan and Germany.

The US continues to lead foreign investment in India with companies investing a total of Rs971m in 1988 compared to Rs295m in 1987, a three-fold rise. US companies entered into 262 agreements with Indian counterparts of which 191 involved transfer of technology and 57 equity participation. Since 1981, US companies have signed a total of 1,250 agreements for technological collaboration and 372 involving equity participation.

West Germany comes next with 1,374 agreements since 1981 of which 225 were signed in 1988. Of these, 178 were for transfer of technology and 47 for financial participation. Total West German investment in 1988 was Rs310m.

Japan's total investment in 1988 was Rs174m and is said to be one of the fastest growing of all. Japanese concerns signed 112 agreements last year of which 96 were for technological collaboration and 16 involving financial investment.

British investment – once the largest in India – has declined compared to the US, Germany and Japan but is still substantial. In 1988, British investment totalled Rs139m, the fourth largest. British concerns signed 170 agreements of which 134 were for transfer of technology and 36 involving equity participation.

Investment by non-resident Indians, which is being given special treatment in the form of incentives, registered Rs168m in 1988 compared to Rs208m in 1987.

Foreign minister hints at links with Moscow

By Anthony Robinson

Botha: "delicate matter"

MR PIK BOTHA, the South African Foreign Minister, hinted yesterday that Pretoria was exploring the possibility of re-establishing diplomatic links with the Soviet Union.

He told foreign correspondents that the issue of restoring diplomatic relations, broken off in 1956, was "a delicate matter which I would rather not reply to today, maybe at a later date.

"If I say one thing it will be a lie, if I say a different thing it might damage what I hope to achieve," he said in what appeared to be the first oblique confirmation that Moscow's "positive role" during the recent Angolan peace negotiations could lead to closer and more systematic links.

Pretoria has closely followed the recent evolution of Soviet diplomacy in Africa. In December Mr Botha met Mr Anatoly Adamishin, the Soviet deputy Foreign Minister in charge of African affairs for two hours of talks in the Congolese capital of Brazzaville during the closing stages of negotiations which culminated in the Angolan peace agreement signed by Angola, Cuba and South Africa in New York on December 22.

In future, Mr Botha suggested, Moscow could play a similar diplomatic role, together with the US, in helping to bring peace and stability to war-torn Mozambique. He had already suggested US participation in such a venture in a letter which he asked Mr George Shultz, the former US Secretary of State, to pass on to the new administration, he added.

In recent months "bandits" of the Mozambican National Resistance (Renamo), which used to be supported clandestinely by Pretoria, have destroyed 1,400 electricity pylons along the power line from the Cabora Bassa Dam to Pretoria, he revealed. South Africa, Portugal and the Mozambican Government agreed to try to reactivate the line last September but the destruction of a further 600 pylons since then has doubled the cost of repair and "will oblige South Africa to look again at our finances," Mr Botha said.

He strongly rejected accusations repeated at this week's Commonwealth foreign ministers meeting in Harare that South Africa was guilty of destabilising its neighbours. He pointed to the recent Angolan agreement, forthcoming Namibian independence and co-operation with Mozambique as examples of Pretoria's constructive role.

He confirmed again Pretoria's commitment to Namibian independence. One of the key elements in the Namibian independence process, he added, was international insistence that the parties in the forthcoming elections, including Swapo, were obliged to abandon violence.

UN bid to break deadlock on Gulf talks

By Andrew Gowers, Middle East Editor

MR Javier Pérez de Cuéllar, the United Nations Secretary General, will this week encourage the Iraqi and Iranian Foreign Ministers to step up confidence-building measures with a view to breaking the deadlock in the Gulf War peace talks.

Mr Tariq Aziz of Iraq and Dr Ali Akbar Velayati of Iran will be in New York today, when the Security Council is due to extend the mandate of the UN Iran-Iraq Monitoring Group overseeing the six-month-old ceasefire.

Diplomats at the UN said it was not clear whether the two ministers would meet face to face for the first time since their direct talks in Geneva adjourned on November 11.

Mr Pérez de Cuéllar, rather than attempting again to address the main bones of contention between them concerning the implementation of the Security Council's 1987 ceasefire resolution, is likely to propose a number of limited steps to improve the atmosphere:

● He will ask Iran to desist from flooding Iraqi territory close to the southern frontier, and propose that Iraq stop burning off oil in areas of Iranian territory which it is occupying.

Iraq is understood to have been angered by apparently deliberate Iranian flooding of marshy areas in the south, aimed at preventing Iraqi movement on its side of the border.

Iran has been infuriated by Iraq's flaring of oil in part of the 800 square miles of Iranian territory which it occupies, and wants the wells capped.

● He may propose further exchanges of prisoners of war. Attempts last year to arrange a comprehensive POW exchange collapsed amid recriminations between Tehran and Baghdad.

Iraq has in recent weeks made a modest conciliatory gesture by repatriating 250 sick and elderly Iranian POWs, as well as opening its airspace to Iran-bound civilian airliners and agreeing to the formation of a mixed military working group involving officers from both sides.

● He may also seek to discuss the possible reopening of the disputed Shatt al-Arab waterway, which delineates the southern frontier between Iran and Iraq.

Baghdad, complaining that it is unable to enjoy the fruits of the ceasefire because its sole outlet to the sea remains blocked, has made further progress in the peace talks conditional on Iranian agreement to the dredging of the waterway.

Apparently referring to this issue in a report to the Security Council last week, Mr Pérez de Cuéllar indicated he was looking for ways of normalising relations between the two belligerents through pragmatic arrangements, particularly with regard to the economic life of the two countries".

"These arrangements might also include measures to assist the rehabilitation of border towns."

The five permanent members of the Security Council are ready to lend their support to the Secretary-General if asked, as Sir Geoffrey Howe, the British Foreign Secretary, was expected to tell Dr Velayati during a meeting in London yesterday.

Diplomats, however, say Western nations are resigned to the current slow pace of progress in the Gulf talks because of the huge residue of suspicion between Tehran and Baghdad.

"The talks will go on for several months more without any major breakthrough on issues of substance," one diplomat said. "But we do not see any danger of an imminent breakdown of the ceasefire."

Former minister says he fetched Marcos payoffs

A FORMER Philippine cabinet minister claims he collected more than $4.5m in kickbacks from Japanese companies for former President Ferdinand Marcos and deposited them in a Swiss bank account, according to court documents obtained, AP-DJ reports from Manila.

Mr Baltazar Aquino, Mr Marcos's former Public Works and Highways Minister, made the allegation in four statements submitted on Friday during deposition hearings in connection with 39 civil suits against the former president. A copy of the documents was obtained yesterday from court sources.

The 71-year-old Aquino, who is not related to President Corazon Aquino, is ill and had offered to give evidence of alleged corruption during the Marcos years.

In the depositions, Mr Aquino claimed he made at least eight trips to Hong Kong between March 1975 and July 1976 to collect more than $4.5m in payoffs to Mr Marcos from representatives of seven Japanese companies involved in highway construction projects funded by the Japanese Government.

Mr Aquino said he continued to collect kickbacks for Mr Marcos from other, undisclosed, Japanese businessmen until 1981 but gave no details of those transactions.

He identified the seven Japanese companies as Sumitomo, Marubeni, Toyo, Sakai Heavy Industries, Nissho-Iwai, Mitsui, and C. Itoh.

He said he received the money in cash from company representatives in Hong Kong and that the money was deposited in the Hong Kong branch of the Swiss Bank Corporation, of Fribourg. He said that whenever he received commissions, he delivered them to Mr Marcos personally.

Indian troops quit Sri Lanka

TWO battalions of Indian troops will withdraw from Sri Lanka over the next few days, leaving some 40,000 soldiers on the island, the Sri Lanka Government announced yesterday, AP writes from Colombo.

The soldiers will pull out by sea from the northern port of Kankesanturai. A Foreign Ministry official in New Delhi confirmed the Indian withdrawal.

The move follows a request by President Ranasinghe Premadasa, who had promised during his election campaign to seek the withdrawal of the 47,000 Indian troops on the island.

India sent troops to Sri Lanka in July 1987 to oversee an arms surrender by Tamil rebels fighting for an independent homeland.

Jordan ends farm produce ban

By Andrew Whitley in Jerusalem

JORDAN HAS quietly dropped its three-month-long blockade of Palestinian farm produce from the occupied territories, Israeli officials said yesterday. Brig Gen Fredy Zach, deputy head of the Civil Administration for the West Bank and Gaza Strip, said that over the past two weeks hundreds of Palestinian trucks had crossed the Allenby Bridge into Jordan carrying citrus and olive oil.

The near total closure of the Jordanian market to these important local products, along with temporary restrictions on transit rights to other Arab countries, imposed considerable strain on the economy of the occupied territories, already suffering from the effects of the 14-month-old uprising.

Jordan's change of heart reportedly followed the intervention, at Israel's request, of the US government. Civil Administration officials had earlier promised to try to ease the problem caused by the glut of olive oil in the West Bank.

According to Gen Zach, so far 3,800 tonnes of citrus from the Gaza Strip, and 2,500 tonnes of olive oil have been sent to Jordan. "Without this concession the situation would have been very difficult," he told the Financial Times.

As a recent decline in the violence continues, a debate is meanwhile under way within the Defence Ministry over easing some of the swathe of administrative restrictions and punishments imposed on the residents of the occupied territories.

Hardline officials, however, complain about the fact that some 105,000 Palestinians – 90 per cent of the pre-December 1987 figure – continue to travel to work each day across the 1967 "green line" border. Arguing that it should be a privilege to work in Israel, they say the Shamir Government cannot afford "a deluxe *intifada*."

One measure under consideration – a computerised border screening of migrant labourers – would serve two purposes: it would help catch tax offenders and suspected participants in protests, and it would prevent such people from continuing to draw wages in Israel. Among the several drawbacks of the scheme, however, is the harm this would do to citrus production and construction.

Japan 'wants bigger voice at the IMF'

JAPAN, seeking a larger role in dealing with Third World debt problems, wants to gain a bigger voice in the International Monetary Fund by putting in more money, a high-ranking Fund official said yesterday, AP reports from Tokyo.

US reluctance to have its power diluted by larger Japanese contributions to organisations such as the IMF, however, is slowing Japan's *attempts to assume* greater responsibility, the official said.

"Japan wishes to make a special Japanese contribution to the IMF's capital, which would enable it to obtain a higher, stronger position within the *IMF*," Mr Hermann Ruding, chairman of the Fund's Interim Committee, told reporters.

"Most members of the IMF, including Japan, want to see a stronger IMF and World Bank and that implies a larger capital quota for the IMF."

IMF contributions determine members' voting power and provide resources for loans to developing nations. The US holds the largest share of voting power, 19.01 per cent, while Japan ranks fifth with 4.7 per cent. IMF decisions require 85 per cent support.

Zimbabwe faces a survival test in economic jungle

Tony Hawkins on the options open to the Mugabe Government to restore growth and investment

ZIMBABWE is facing a crisis of unfulfilled promise if it cannot regain the economic momentum of the years following independence.

The Government is poised to announce a package of policy initiatives designed to maintain last year's growth of at least 6 per cent in gross domestic product into the 1990s.

The country faces rapidly increasing unemployment, with about 1m people, about 25 per cent of the workforce, out of work. The number of secondary school-leavers coming on to the labour market has jumped from less than 30,000 five years ago to 185,000 in 1989. By the early 1990s, the figure will be averaging 300,000 annually.

Since independence in April 1980 economic growth has only just kept ahead of the rate of population growth, resulting in little improvement in living standards. Average real wages today are no higher than 1979.

Sluggish growth is explained partly by four seasons of drought which left farm output in 1987 some 25 per cent below peak levels, by weak metal prices in world markets (until mid-1987) and by an acute shortage of foreign exchange.

Export performance has been weak and even after last year's 20 per cent surge in exports – mainly the result of the 80 per cent increase in tobacco prices and substantially increased earnings from minerals – export earnings, in real terms, are no higher than in the early 1980s.

The combination of stagnating exports and the bunching of foreign debt repayments during the the past two years necessitated severe reductions in imports, which are currently running one third below their 1982 levels.

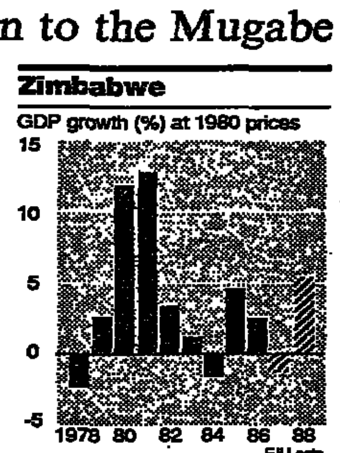
Last year's rapid export expansion cut the debt-service ratio from its peak of 32 per cent in 1987 to less than 25 per cent. This year the ratio should fall further to 20 per cent, opening the door to a major increase in import allocations of about 18 per cent, which should boost output growth, investment and employment.

Despite this, Finance Minister Bernard Chidzero has been warned by the World Bank and the IMF that fundamental policy changes are needed if the economy is going to enjoy a period of sustained growth.

Last year's upturn was mainly the result of the happy coincidence of two favourable developments – a 20 per cent improvement in agricultural production as farming recovered from the severe 1987 drought, and a sharp rise in commodity prices internationally.

Zimbabwe

GDP growth (%) at 1980 prices



But this momentum cannot be maintained given the tight, if slowly-improving, foreign exchange situation and depressed investment levels. In the first half of the 1980s Zimbabwe was investing about 20 per cent of GDP, but in recent years this has slumped to 15 per cent. Economists say the country must invest a minimum of 25 per cent if it is to achieve its development plan growth target of 5 per cent annual growth.

Mr Chidzero is due to announce major new plans to boost both domestic and foreign investment, including the revision of the country's unimpressive and unattractive investment guidelines and a register of key projects for which the government is seeking investor support.

The guidelines must be unveiled before the conference in May being hosted by the *Confederation of British Industry* in London aimed at fostering new foreign investment in Zimbabwe.

The guidelines are likely to be dominated by improved incentives for foreign investors. At present, foreign companies are allowed to remit only 25 per cent of after-tax profits or, in the case of companies that invested since independence, which are treated more favourably, 50 per cent. The new guidelines reportedly increase the pay-out ratio to 100 per cent for "priority" projects.

Moves to attract foreign investment may be problematic. In the last 18 months, disinvestment by foreign companies has been running at an annual rate of more than $75m (£43m). Earlier this month, the authorities moved to staunch the flow of disinvestment by requiring foreigners to sell their assets at discounts up to 90 per cent of net asset value, if they wished to qualify for accelerated remittability of the proceeds.

While these harsh new disinvestment rules are expected to have negative repercussions abroad. The key to faster growth and more job generation in Zimbabwe is not foreign investment. Domestic investment is far more likely *to turn* the tide and this is unlikely to be much affected by the new investment policies.

Domestic investors are being deterred by a barrage of government policies ranging from tight price controls, high corporate taxes, punitive personal tax rates, to constraints on foreign exchange constraint and no-dismissal laws that prevent employers from firing workers without ministerial approval.

Two other policy issues are high on the agenda. The most pressing is the budget deficit currently running at some ten per cent of GDP. Economists stress that there can be no sustained upturn in private sector investment while the public sector is draining a high proportion of national savings.

Mr Chidzero's repeated promises to curb the deficit carry little conviction, especially in the run-up to the vital congress of President Robert Mugabe's ruling ZANU-PF party in August and next year's general election.

There is also the vexed issue of trade liberalisation. A Government working party recently submitted its findings reportedly recommending the phased removal of import controls and their replacement with a system of tariff protection. This is a hot potato politically since its adoption would run counter to Mr Mugabe's belief in a centrally-planned socialist economy.

Many African governments have found budget deficit reduction and trade liberalisation are political dynamite. For the Mugabe government, which has lost popularity recently, unpopular economic reforms have little appeal.

Politicians, being short-term operators by nature, are more likely to persist with present policies, amended at the edges, to foster new investment, rather than tackling the problems of sluggish growth and mounting unemployment head-on with a radical programme. There will have to be structural adjustment in time but the exigencies of party congresses and elections seem likely to take precedence.

Indonesia tries to raise share of coffee market

INDONESIA, the world's third biggest coffee producer, yesterday threatened to increase its coffee exports if the International Coffee Organisation did not increase its share of the world coffee market, AP reports from Jakarta.

Trade Minister Mr Arifin Siregar said Indonesia would boost its exports to countries which are not part of the 50 coffee-producing and 24 coffee-consuming ICO. The organisation uses a quota system to keep coffee prices stable.

Under the system, a coffee producer must not exceed its set *quota* to any ICO consumer nation.

However, Mr Siregar said Indonesia's quota and the number of votes it has in the ICO have become outdated and do not reflect status as the third largest coffee producer.

He said a trade delegation would be sent to London in a few days to discuss raising the nation's quota from the 162,000 tons allotted for the 1987-88 coffee year.

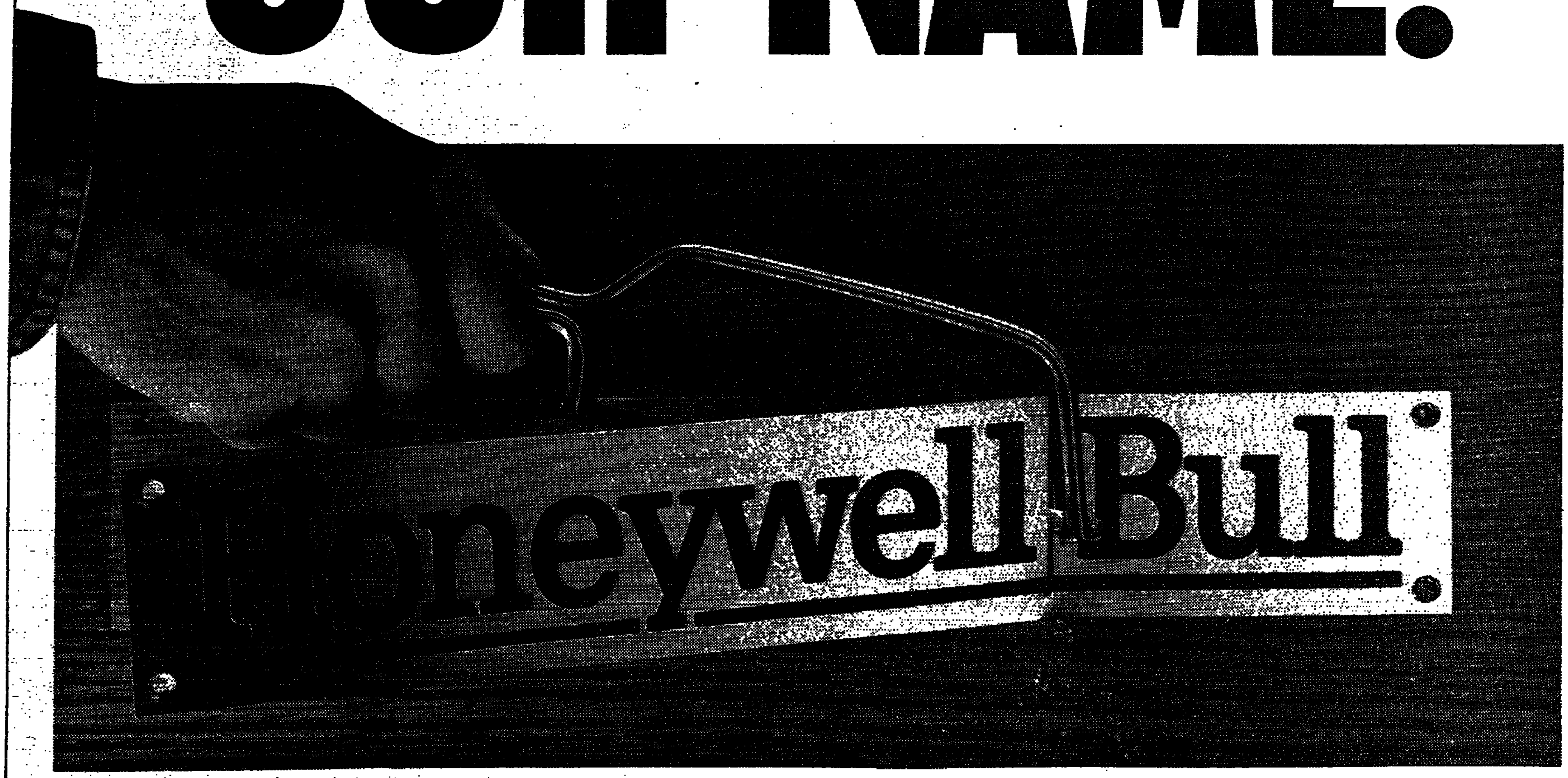
"Several producing countries want an *arrangement* to be made on exports of our coffee to non-quota countries," he said after a meeting with Indonesian President Suharto.

"In our opinion, we do not agree to any limitation of movement to market coffee to non-quota *countries*. ... But if they do not want us to augment our sale (to non-quota consumers), they should raise our quota," he added.

He said the delegation would strive for more votes in the ICO, which also would be *reflected* in more facilities and a higher quota for Indonesia.

Indonesia produces about 330,000 tons of coffee a year.

WE'VE TAKEN A BYTE OUT OF OUR NAME.



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AMERICAN NEWS

Argentine devaluation sparks run on currency

By Gary Mead in Buenos Aires

THE Argentine government yesterday devalued the austral by 20 per cent and introduced exchange rate changes as part of adjustments to last August's anti-inflation programme.

The currency took an immediate nosedive of 20 per cent on the unofficial exchange markets.

After a surprise one-day bank holiday on Monday Mr Juan Sourrouille, Economy Minister, announced a series of devaluations and exchange rate changes.

Along with the devaluation, he said the Government would introduce a three-tiered exchange rate system – the official rate, a "special" rate that is 25 per cent higher, and the "black market", or free rate.

The free rate will find its own level to what he called "the game of supply and demand".

The other two rates will remain under the control of the central bank, with the commercial rate starting at 14.11 australs to the US dollar and to be devalued by a total of 6 per cent during February. The so-called special rate will be pegged at 25 per cent above the commercial.

A key measure of this latest manoeuvre ends central bank intervention in the unofficial currency market. Since last August the central bank has used its healthy foreign currency reserves (estimated at more than $3bn) to sell in that market on a daily basis, more than meeting demand for foreign currency, and thereby pegging a previously free floating austral to a rate the Government deemed acceptable.

The Government then used the pegged but theoretically unofficial exchange rate as a marker by which to set other exchange rates it avowedly retained control over.

Despite suggestions that the bank holiday would last 48 hours, hectic trading of currency started early yesterday when banks reopened. The unofficial austral rate soared to 22 against $1, against 16.50 when trading closed last Friday.

The changes follow pressure from industrialists who argued that the austral had become as much as 30 per cent overvalued. They have also been hit by interest rates rising to a monthly 20 per cent last week.

Seaga less confident of re-election in Jamaica

By Canute James in Kingston

MR Edward Seaga, the Jamaican Prime Minister, has become more cautious about his chances of being re-elected for a third consecutive term in tomorrow's general election.

"Any ball can spin," said Mr Seaga. "It can go either way." A week earlier the Prime Minister had been speaking in more confident tones of the plans his administration would implement when re-elected.

His tempered expectations follow continuing indications from public opinion polls that his conservative Jamaica Labour Party, which has held office since 1980, will be heavily defeated by the social democrat People's National Party of Mr Michael Manley, a former Prime Minister.

In contrast to Mr Seaga, Mr Manley appears confident that the PNP will not only win but will do so handsomely. The campaign has been overshadowed by the threat of party political violence which has been common to Jamaican elections for the past 15 years.

Despite statements reaffirming the parties' support for a jointly agreed code of political behaviour intended to reduce tension, there have been several clashes between rival supporters. Eight people have been killed and several injured during the campaign.

The business sector and the church have made public appeals for an end to the violence, saying it threatened the island's economy and particularly tourism, the leading foreign currency earner.

Mr Seaga has twice accused the PNP of being behind the violence. He said it was instigating disorder to influence the vote in marginal constituencies. But the charges have been rejected by Mr Manley.

The state of the economy and the island's social services have been the main issues in the campaign, with Mr Seaga pointing to the recovery of the economy after several years of stagnation. Mr Manley has argued that growth has been achieved at the expense of social services, with public health, education and welfare services being reduced.

Spendthrift public sector is Paraguay's undoing

Even smuggling is in deficit, writes Ivo Dawnay

THE old myth that the successes of Paraguay's economy are built on lucrative smuggling is of little consolation to those in the know in the new government of General Andres Rodriguez.

Although the nation's bold traditional business has helped subsidise many of the neo-classical residences and fancy BMWs that grace the tiny capital of Asunción, the country is in fact in deficit in its illegal cross-border trade.

That is not to say that the infamous contraband industry is not astonishing both for its scale and the tolerance, indeed, encouragement, that it was given during the 34 years of Gen Alfredo Stroessner's dictatorship which ended in gunfire last week.

Acting as Latin America's largest duty-free store has certainly created some jobs and lubricated the Paraguayan political machine.

Whisky, perfumes, electronic goods, drugs and arms that slip discreetly over the country's borders are estimated to earn a remarkable $1.2bn a year – more than a quarter of an official GDP of $4bn.

But it is not what is keeping Paraguay afloat. Economists believe that in reality more funds are flowing in the opposite direction, not least to pay Brazilian car thieves for supplying vehicles which now make up at least one-third of the entire Paraguayan fleet.

Smuggling aside, it is the official economy – largely based on cotton and soya – which has proved an impressive example to Paraguay's inflation-racked neighbours, with price rises averaging until recently only 10 per cent a year.

Between 1960 and 1972, growth increased by over 4 per cent annually. This accelerated to more than 8 per cent until 1981 as the vast investments of the Itaipu hydro-electric dam project, largely financed by Brazil, fed through into other sectors.

But now, with Itaipu nearly complete, the down-side of a political system oiled by patronage and jobs for the boys is leading the country towards a economic crisis. "For years Stroessner had a very remarkable record," one diplomat said. "But since the Itaipu funds dried up, he proved nervous about adopting the severe free market measures the economy needed. It would have been political suicide."

After years of near Germanic prudence, Paraguay is now recording a large fiscal deficit, 7 per cent last year, and inflation of 32 per cent. The official merchandise trade deficit, according to early estimates, was nearing $180m, rising to $260m on the whole current account.

Agricultural performance helps to lighten this deteriorating picture with real production growth expected to achieve 9.4 per cent this year and a 30 per cent increase in exports. Both cotton and soya output have improved hugely since the disastrous drought of 1986 with the former up to a record 500,000 tonnes and the latter over 1m tonnes.

When this feeds through to other sectors of the economy, the 1988 outcome should be an impressive 4 per cent growth in GDP. But there the good news ends because the haemorrhaging public sector is seriously sapping the economy.

To private business the most worrying figure is that of foreign exchange reserves. A decade ago they stood at $800m. Today, they are believed to be no higher than $335m and possibly below $150m.

Meanwhile, the cost of servicing a foreign debt which last year totalled $2.2bn had risen by 40 per cent in 1987 and a further 14 per cent last year. Nearly all the debt is held by the public sector.

For the private sector, the most infuriating aspect of the late Stroessner years was the regime's growing refusal to acknowledge its responsibility for the outlook of stagnation. The dictator would neither cut expenditure nor take fiscal measures to reduce the deficit.

Above all, what the private sector wants is a substantial adjustment to foreign exchange rules which, in effect, impose a tax on business by paying only 550 guaranies to the dollar for exporters but allowing a Gs 1,000 rate to government enterprises.

"To finance real exchange rates, the public sector would have to raise its prices by triple digit percentages," one analyst argued this week.

It has fallen to Mr Enzo Debernardi, the new Finance Minister and a national hero for his contribution to the Itaipu project, to rebuild bridges with the private sector.

He has indicated that some form of liberalisation of the economy is the new administration's preferred route to change. But in the end, if the cure is to end the bad old spendthrift habits learnt over three decades of unaccountable government, no amount of contraband Scotch is going to drown the pain.

GEN Andres Rodriguez, who ousted Gen Alfredo Stroessner last Fiday, yesterday looked certain to remain Paraguay's head of state after the decision of his main rival in the dominant Colorado party not to contest the presidential nomination, writes Ivo Dawnay.

Mr Luis Maria Argana, the newly-appointed Foreign Minister, widely thought to be a contender, called a press conference to pledge support to Gen Rodriguez. He said he would propose Gen Rodriguez's candidacy at a national congress of the Colorado party expected to be held later this month.

Political analysts speculated that Mr Argano's decision was part of an understanding with Gen Rodriguez. Mr Argana said the victor in elections on May 1 would serve only until the end of ex-President Stroessner's interrupted mandate – ending in May 1993.

Modifications to the constitution are intended to prevent a president serving two consecutive terms. It is thus widely speculated that Gen Rodriguez has pledged his support to Mr Argano's candidacy in 1993.

Opposition parties appeared in disarray yesterday at the rapid turn of events. The National Accord group of four opposition parties is seeking modifications to the electoral law and provision of a new voters' list. But few commentators held out any hope of a party other than Colorado winning the elections.

Congress flinches over pay rise uproar

By Peter Riddell, US Editor in Washington

THE overwhelming vote expected yesterday by the US House of Representatives against a 51 per cent pay rise has left all involved embarrassed, bruised and furious.

The increase would have raised Congressional salaries from $89,500 to $135,000 (£51,644 to £77,900) and would also have affected 2,500 federal judges and senior administration officials.

The episode has been a victory for the anti-Washington/anti-Congress forces never far below the surface in the US. It reflects an upsurge of often irrational populism expressed on talk shows, stirred up by Mr Ralph Nader, the consumer advocate, and seen in the mailing of thousands of tea bags to Congress, in a crude parallel with the Boston Tea Party.

The events have been a defeat for a well-intentioned but mishandled attempt to avoid Congress being seen to fix its own pay by shunting off the issue to a bipartisan commission whose recommendations would then take effect without a vote against by both houses of Congress. The Senate duly voted against the rise by 95 to 5 in the somewhat hypocritical expectation that the House would not.

One result is temporarily to halt the ban on outside speaking fees and other payments to Congressmen also proposed. This will benefit prominent members of Congress and not the more obscure and often neediest trying to maintain homes in both Washington and their local districts.

Politically, the events have discredited Congress, and particularly the Democrat leadership under Mr Jim Wright, the Speaker of the House, who has been accused of misreading the political situation and bending under pressure.

Mr Wright's position is not under direct threat since his deputy, the popular and respected Mr Tom Foley, the House Majority leader, is not only publicly loyal but is also widely seen as too cautious to mount a direct challenge. But Mr Wright's authority has been weakened, not least because he is also under investigation by a House ethics committee.

UN chief holds talks on Central America

By Richard Johns in Mexico City

FOREIGN ministers of five Central American states are expected to meet Mr Javier Pérez de Cuéllar, UN Secretary General, for talks in New York today on a plan for border verification agreed in principle by them at the beginning of December.

The outcome could have a crucial bearing on the success of next week's summit in San Salvador of the leaders of the region's countries. Heads of state are scheduled to gather on February 14 amid considerable differences as to what security arrangements they want the UN to sponsor.

Mr Pérez de Cuéllar was informed of the general accord in a letter spelling out the divergent views of Costa Rica, EL Salvador, Honduras and Nicaragua.

Only Guatemala entered no reservation or elaboration, according to diplomats.

The Secretary-General replied that they would have to come to a clear agreement on the mandate for any force. He also insisted that any multilateral supervisory force under UN auspices would have to be military in nature.

US attacks Israel on human rights

By Peter Riddell

THE US yesterday strongly criticised Israel for increased human rights violations in a report likely to strain already bruised relations between the two countries.

The annual human rights report, released yesterday by the State Department, accuses Israel of a "substantial increase in human rights violations", mainly in relation to the 14-month old Palestinian uprising on the West Bank and the Gaza Strip, producing "many avoidable deaths and injuries".

The strongly worded criticism is significant in that it comes in a formal report and follows differences between the two countries after the opening of talks between US officials and representatives of the Palestine Liberation Organisation.

On Monday, the Israeli embassy in Washington formally asked the US to end its contacts with the PLO in the light of an attempted guerrilla raid on Israel on Sunday. The State Department said it would look into the charges which Israel maintains show the PLO has not renounced terrorism.

The report notes that most of the estimated 366 Palestinians killed in 1988 in the uprising died as a result of Israeli forces using high velocity, standard service bullets during incidents involving stones, firebombs or escapes by suspects.

The Israeli regulations permit the use of live fire only when soldiers' lives are in real and immediate danger, but the State Department reports that "soldiers frequently use gunfire in situations that did not present mortal danger to troops, causing many avoidable deaths and injuries".

Moreover, the report cites five cases of unarmed Palestinians in detention dying under "questionable circumstances" and cites the failure of the Israeli authorities to take action against personnel.

In Jerusalem Mr Amnon Strashow, the Judge Advocate-General of the Israeli Army, criticised the report for not taking account of the security threats facing Israeli soldiers in the territories.

The human rights report, covering 169 countries, praises "remarkable changes" in the Soviet Union but warns that "we still cannot say there has been a fundamental shift" in Moscow's approach.

WORLD TRADE NEWS

Rover struggles to prove its mettle in US market

Roderick Oram in New York examines the bid to resurrect sales of the Sterling, its flagship car

ON his second day in one of the least enviable jobs in the US motor industry Mr Graham Morris travelled with trepidation to New Orleans for the annual meeting of the National Automobile Dealers Association.

"I was expecting to be machine-gunned," he said. As the newly installed president of Rover Group's US subsidiary he had good reason to be nervous about showing up at last weekend's convention.

Sales of its luxury car, called the Sterling in the US, had faded to a faint blip on the charts – 382 vehicles in December – amid criticism about its quality, repair and parts service and marketing. Rover's reputation was unravelling fast less than two years after the UK group – formerly part of British Leyland – returned to the US market.

Sterling was bottom but for Yugo on the 1988 consumer satisfaction index compiled by J.D. Power & Associates, a leading California motor industry consultant. Its dealers' satisfaction ranked last among 36 makes of cars. Nearly 100 days' supply of cars were parked in US ports.

Yet, "I got neutral or positive response from many of the dealers," Mr Morris said. He believes they were encouraged by recent changes to the cars and Rover's Miami-based US operation, Austin Rover Cars of North America (Arcona).

Mr Morris hit the road again this week, accompanied by senior executives from Britain, to deliver the message that the company was fixing its US problems.

Rover's second US pitch is scheduled for later this month in Phoenix, Arizona. It will launch improved models, including a hatchback, which it hopes will rebuild its American credibility. Since better sentiment takes a while to show up in Power surveys, Rover is not expecting a quick rise in its standing.

"But if there's no improvement by the middle or end of next year, we've got problems," said Mr George Simpson, managing director of the Rover Group.

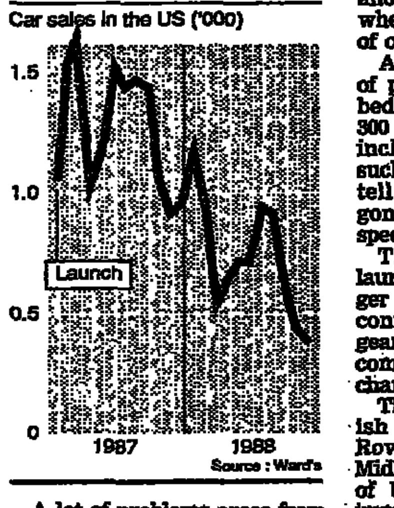
He said succeeding in the US, the most competitive and demanding market in the world, was vital because of the feedback it gave. Rover, for example, has already incorporated in cars sold in Europe some improvements made to US models.

"It is costing us to establish here but we'll do what is necessary to succeed, Mr Simpson added."

Rover made its first major move last spring when it took control of its US organisation by buying out the 51 per cent stake held by Mr Norman Braman, a US car dealer. Rover acknowledges now it was a mistake to try to re-enter the US via such a joint venture. "Miami was being run like a large dealership, not like a national sales organisation," one executive said.

Rover Sterling

Car sales in the US ('000)



Source: Ward's

A lot of problems arose from the old arrangement. Dealers were unhappy, for example, about having to pay to send mechanics to Miami for training and about the inferior parts department there.

The new set-up, however, "gives us clear lines of communication back to our parent," Mr Morris said, "and a far more stable and positive platform."

He said 80 per cent of training is now done in or close to dealers and the subjects are better geared to dealers' needs. The parts department has been reorganised and restocked to allow next day delivery anywhere in the US for 95 per cent of orders.

As for quality, "the majority of problems have been put to bed," he said, through some 300 changes to the car. These include long-unreliable parts such as instruments. Dealers tell of customers who have gone through six or seven speedometers.

The 1989 models to be launched in Phoenix have bigger engines and new electronic controls for their automatic gearboxes to address persistent complaints about rough gear changes and lack of power.

The standard of interior finish of cars coming out of Rover's Cowley plant in the Midlands, another big source of US complaints, began to improve markedly by the middle of last year, Mr Morris said. But because of the huge backlog of unsold cars in the US better cars are only just coming through to showrooms.

"The quality has gotten better with each batch of cars," said Mr Bob Vusich, service manager of Rusnak Sterling in Pasadena, California. He also noted improvements in training programmes.

To whittle down its backlog of cars, ARCONA is offering low cost financing for purchasers. "It's the only thing that's helped," said Mr Günther Lent, a sales manager at Rusnak Sterling. "People say they can't refuse the deal."

Thanks to the incentive, it looks as though sales doubled last month over December's levels. Rover declined to say how much it would cost to pick up virtually the full bill for interest payments on car loans made during the promotion.

Getting the car and service right might turn out to be the easy part of finally establishing Sterling in the US. Promoting a new name is a huge task in an increasingly competitive market where sales of European cars fell 25 per cent last year.

Rover admits to a poor job so far through blurred and patchy advertising. "What is it and why should I buy it?" are the two questions dealers most often hear from the public. One problem is Sterling's close links with the Acura Legend, a hot seller in the US. They share Honda mechanical parts with the Acura rated higher for quality and the Sterling, by some, for looks and handling.

Sterling is now on its third advertising agency in 18 months but promises this one "is for keeps". After six months of extensive market research "we believe we've found the right niche for Sterling and the right message to exploit it," Mr Morris said. The advertising budget is set to rise by up to 50 per cent.

The new marketing approach will be put to a stiff test soon with the launch of a sporty five-door hatchback, the 827SLi. Conventional wisdom in the US market says there is little demand for hatchbacks.

Mr Morris, however, said that Rover's market research showed the car will attract "younger and more enthusiastic drivers" than the four-door saloon. "It is not a large market but it is there for slow steady growth" and could account for 10 per cent of Sterling's sales.

If Rover solves Sterling's quality and organisational problems, gets its market research right, and overcomes its poor reputation, success is still a long shot according to even the most enthusiastic dealers. With the field growing ever more competitive Sterling runs a big risk of being lost in the crowd.

Short Bros in aircraft deal with Kuwait

By Lynton McLain

SHORT BROS, the Belfast aerospace company which the UK government wants to privatise, has won a contract to supply Tucano trainer aircraft to Kuwait.

The Belfast company said yesterday a contract had been signed with the Kuwait Ministry of Defence to supply an undisclosed number of Tucano trainers.

This is the second export success for the company after the initial £125m contract to supply 130 Tucano aircraft to the Royal Air Force.

The first export contract for the aircraft was awarded by an African nation, believed to be Kenya, six months ago. That contract was worth about $40m (£22m), and the Kuwait contract is believed to be worth substantially more.

The RAF contract and the two export contracts will ensure production of the Tucano at Belfast until 1992.

Short Bros is still planning to form an international partnership to produce the proposed Shorts FJX twin-engined short-haul airliner.

This success with the Tucano will help ensure continuing work on the production of complete aircraft over the period up to the launch of the FJX over the next few years.

Kleinwort Benson, the merchant bank adviser to the Government on the privatisation of Short Bros, is preparing a list of companies it believes have a serious interest in buying the company.

The companies are expected to receive detailed confidential information on Short Bros over the next few weeks.

David White, Defence Correspondent, adds: Although neither Kuwait nor Short Brothers would disclose the size or value of the purchase, the number of Tucano aircraft is known to be in double figures.

The basic trainer aircraft is being made under licence from Embraer of Brazil.

Kuwait already has a squadron of 12 British Hawk 100 advanced trainers, made by British Aerospace. These aircraft, which also have a ground attack capability, have been in service in Kuwait since 1985.

US set to block Gatt patents findings

By William Dullforce in Geneva

THE US will oppose today in the council of the General Agreement on Tariffs and Trade (Gatt) adoption of a report by a disputes panel which has ruled that it discriminates against foreign companies in handling patent infringement cases.

Washington will urge the council not to approve at its first hearing the panel's recommendations which imply that the US Congress may have to amend part of the new Trade Bill it passed only last year.

The US proposed in a note sent last month to member-states of the European Community that the council should postpone discussion of the report "until we have fully examined its possible effects on broader trade policy issues".

EC reaction to this proposal has so far been negative and the scene appears to be set for yet another major US-EC confrontation on a trade issue.

The Gatt panel had made a "sound and serious analysis" and the council should adopt its report without delay, EC officials said.

The panel ruled in November in favour of an EC complaint that US procedures in enforcing private intellectual property rights under section 337 of the Tariff Act (subsumed into the new Trade Bill) treated imported goods differently from domestic goods and were inconsistent with the Gatt.

In its note to the EC countries, Washington argued that the panel's findings called into question "virtually any practice or procedure that distinguishes between importers and nationals".

This had far-reaching implications, the US claimed. In the area of intellectual property, some countries had laws allowing the issue of a compulsory licence or revocation of a patent, if an invention was not "worked" domestically.

"Working" means that the patented invention has to be manufactured or practised in the country granting the patent rather than simply imported and sold in that country.

Such laws clearly accorded importing patent owners less favourable treatment than patent owners manufacturing domestically, the US argued.

The mere existence of these laws would be enough to establish a Gatt violation, if the panel's findings were applied.

Moreover, the panel report did not recognise differences in political and legal systems. Nor did it reflect policy considerations that might be a primary reason for adopting measures or procedures that had an indirect effect on imports, the US note said.

It complained that the disputes panel had applied an extremely narrow interpretation of the "general exceptions" to Gatt measures provided for in the General Agreement.

If the report were adopted, it would form a precedent for the examination of a broad variety of trade measures currently considered as justified or not yet questioned as being inconsistent with the Gatt, the US note argued.

Britain leads drive to ease Cocom export restrictions

By Lionel Barber in Washington

BRITAIN is leading a drive by Western European governments to lift US-backed economic sanctions that were imposed against the Soviet Union after its troops invaded Afghanistan in 1979.

The British pressure, coming amid signs that Moscow's troop withdrawal is on track to be completed by the middle of this month, poses an early test for the new Bush Administration's policy on export controls on high-technology products.

Mr James Baker, US Secretary of State, has indicated he is unwilling to relax the sanctions immediately. In an interview with Time magazine this week, Mr Baker suggested that future Soviet concessions – beyond its Afghan withdrawal – may be required.

The Afghan-related sanctions involve a policy of "no exception" from a general ban on high-technology sales to the Soviet Union which the Carter administration sought and obtained after the Soviet invasion. Under the policy, individual members of the 15-nation Co-ordinating Committee for Strategic Exports (Cocom) forfeited their original right to apply to the committee for exceptions to the list of banned items.

The UK position is that, provided the Soviet troop withdrawal is completed, the US should agree to drop the "no exception" policy and revert to the status quo before the Afghan invasion.

Brussels to protest at hormone row tariffs today

EUROPEAN officials were set formally to protest today at stiff tariffs imposed by the US in retaliation for a ban on hormone-treated meat from America, AP reports from Geneva.

European Community officials will press to have the duties declared in violation of international trade rules at a meeting of the General Agreement on Tariffs and Trade in Geneva.

A flurry of visits by US and EC officials are scheduled in the coming weeks, giving both sides a fresh chance to resolve the dispute.

Mr Franz Andriessen, the EC's top trading official, is to travel to Washington on February 17-18 for talks with the new Bush Administration, while Mr Ray MacSharry, the Community's agriculture chief, plans a trip later in the month.

Retaliation

Mr James Baker, the new US Secretary of State, is to visit Brussels on an extensive tour of Western Europe.

The dispute started on January 1 when the Europeans imposed a ban on imports of meat from cattle treated with growth hormones.

The US has refused to comply with the prohibition, which the Europeans say was drawn up for health reasons, a contention the US disputes.

In retaliation for the ban, the Reagan administration set 100 per cent tariffs on European boneless beef, pork hams and shoulders and other European products. The sanctions total about $100m (£56m).

Gatt officials said the issue could be referred to a three-member panel for study. It could take about six months to reach a finding.

Ericsson deal

ERICSSON, the Swedish telecommunication company, has signed a contract worth $16m, with Pakistan's Telephone and Telegraph Department to supply a digital axe telephone system to the cities of Rawalpindi and Lahore, writes Christina Lamb in Islamabad.

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China Eastern	Mitsui	Varig
Delta	Swissair	Viasa
Federal Express	Thai International	ZAS Egypt

MCDONNELL DOUGLAS

UK NEWS

Industry leaders insist higher tariffs needed for privatisation

Water industry stands by jump in charges

By Richard Evans

THE GOVERNMENT is putting maximum pressure on the statutory water companies to cut their proposed price rises of 30 to 50 per cent from April 1 down to single figures.

But after a meeting yesterday between Mr Michael Howard, Environment Minister responsible for the water industry, and Water Companies' Association chiefs, there was no sign of a climbdown.

The industry leaders continued to insist that a high rise in charges was necessary to meet the challenge of the new regulations that will accompany the privatisation of the bulk of the industry, and to fund a big capital spending programme.

Mr Howard is believed to have made no secret of his anger yesterday.

He now intends to summon the chairmen of any companies that continue to insist on imposing price rises of more than 10 per cent. This is the average figure the Government has instructed the 10 water authorities to charge, despite their wish for higher charges to fund heavy investment programmes.

The attitude of the statutory companies, who are already in the private sector and controlled by a strict financial regime, is deeply embarrassing to the Government, as the main reason given for the big increases is the introduction of new regulatory powers for the whole industry.

Mr Nicholas Ridley, Environment Secretary, and Mr Howard, have always insisted that privatisation cannot be held responsible for price increases.

The association's announcement on Sunday of such big rises has delighted the Opposition, which has given a warning that a big price increase will follow the flotation of the 10 authorities in November.

Dr Jack Cunningham, Labour's environment spokesman, said that water bills were set "to rocket" after privatisation and that Government policy was in a state of "shambles."

"There is absolute confusion between Government ministers and the Prime Minister, who at first sought to justify the price increases and then appeared to claim that they were unnecessary," he said.

Mr Howard said in a joint statement that he had seen Mr Jack Jeffrey, chairman, and Mr Michael Swallow, director of the WCA to explain his concern at their announcement.

He said their proposals could not be justified, and that there was no basis for the suggestion that the increases were related to the privatisation proposals.

Mr Jeffrey and Mr Swallow explained the reasons for the companies' proposals and undertook to pass on the Minister's comments to the 28 member companies, but no retraction was made.

Mr Howard argued that there might be alternative ways of preparing the companies for the new regulatory framework that privatisation will bring, and it was agreed to hold further talks.

The Government's difficulty is that because the companies are already in the private sector, ministers have no legal powers to control their price increases. They can only cajole and persuade.

Another embarrassment is that the West Kent company, which is proposing to put prices up by 42 per cent, has already discussed the proposal with Environment Department officials, who raised no objections.

The group of Tory MPs on the standing committee debating the Water Bill held an angry meeting at the House of Commons yesterday denouncing the proposed water company price rises.

The K factor, Page 24

British Gas warning of big tariff changes

By Max Wilkinson, Resources Editor

BRITISH GAS will warn its industrial customers today that most must expect significant tariff changes after April 1, as a result of a new system agreed by the Government.

In a note describing the system, British Gas says that in view of the recommendations of a recent Monopolies and Mergers Commission report: "Increases in prices, where these are material, are greatly regretted but are unavoidable."

The note says that industrial gas customers will be divided into classes according to their level of consumption. Companies in each class will be offered a menu of contract options.

They will be able to choose between one or two-year contracts with three options for price movements during the contract period. These are:

- A fixed price for the whole period;
- Prices linked to inflation and oil prices by an agreed formula;and
- Prices which vary in line with changes which British Gas may make to its published tariff schedules.

The document gives no details of the prices to be attached to this structure. These are expected to be published in early March.

Under the new system, which follows a change in its licence agreed with the Office of Gas Supply, the Government-appointed industry regulator, British Gas must end the special deals it offers to large customers with alternative fuel supplies or a pattern of consumption favourable to the corporation. Any such discounts must in future be published and offered to a defined class of similar customers.

British Gas's note confirms the expectation that some large customers will have to pay more as a result, though others will benefit from lower prices.

If the corporation wants to avoid losing those customers which can burn relatively cheap oil, it will have to lower the average level of its industrial tariffs. It may decide, however, to sacrifice some of its business in the interest of maintaining price levels.

Although the structure of tariffs must be agreed with the Office of Gas Supply, British Gas can set and vary industrial prices within the structure. The new system does not apply to domestic customers.

Royal Opera House assurance sought on development plan

By Paul Cheeseright, Property Correspondent

THE ROYAL Opera House is unlikely to receive planning consent for a £100m redevelopment of its facilities at Covent Garden, central London, unless it can provide an assurance by tomorrow that it will go ahead with the plans as they have been published.

Westminster City Council's planning and development committee meets in the evening and would, in the normal course of events, have been expected to give final planning consent to the scheme. It has a recommendation from its officials to that effect.

But yesterday, Councillor David Weeks, the chairman of the committee, said that he had asked the council's property director to write to Mr Jeremy Isaacs, director of the Royal Opera House, asking for clarification of the redevelopment.

His letter followed articles in The Guardian newspaper suggesting that, although the Royal Opera House was pursuing its existing planning application, that was only because it would make it easier to submit a new and different planning application later on.

Mr Weeks said the committee did not want to give planning permission for something that would never be built.

Westminster City Council gave outline planning permission in June 1987 for the Royal Opera House redevelopment, involving the demolition of buildings, and the construction of offices to pay for the renovation of the Opera House itself.

The Royal Opera House said yesterday that it stood by its scheme.

Nissan UK lifts profits 32%

By Kevin Done

NISSAN UK, which has the sole concession in the UK for importing and distributing Nissan vehicles, increased its pretax profits last year by 32 per cent to £132m from £100m.

Group turnover in the year to July 31 1988 rose by 50 per cent to £1.2bn from £796m, according to preliminary figures.

Nissan UK, among the UK's most profitable private companies, is controlled by Mr Octav Botnar, 74, chairman and managing director, through European Motor Vehicles Corporation, registered in Panama.

In addition to its role as importer and distributor of Nissan cars and commercial vehicles, Nissan UK owns a substantial part of the sales network.

Nissan UK's wholly owned franchised dealer network Automotive Financial Group, which includes vehicle finance and transport operations, contributed pre-tax profits of £50m in 1987-88. An additional £50m was generated from the import and wholesale vehicle distribution operation, while £32m came from investment and property income.

In the full year 1988 the company increased its UK car sales by 17.9 per cent to 134,724 boosted by increasing output from the Nissan Motor assembly plant at Sunderland.

In Brief

Brussels 'to act against Murdoch sport TV'

Mr Albert Scharf, European Broadcasting Union president, has warned all broadcasting organisations involved with Mr Rupert Murdoch's Eurosport satellite channel that the European Commission intends to require the parties "to terminate forthwith their current agreement and/or concerted practices with regard to Eurosport."

Mr Scharf said Brussels had decided that both the consortium agreement and joint venture with Mr Murdoch "have as their object and likely effect to restrict and distort competition in the Common Market."

As a result, the acquisition of sports rights by non-EBU members would become more difficult. The EBU president thinks it unlikely that the Commission would grant an exception.

Mr Murdoch said at the Channel's weekend launch that he would run his own sports channels if the Commission made Eurosport impossible to continue.

Swiss Bank jobs go

Swiss Bank Corporation is making 50 members of its London stockbroking staff redundant after a review which found "areas of duplication and weakness." SBC also said it will join Seaq, the London stock exchange's automated price system, for market making in Swiss equities.

Scotch sales up

Scotch whisky exports rose by 2 per cent in volume and by 13 per cent in value last year to a record £1.288bn the third successive annual rise, the Scotch Whisky Association said.

Swiss recognised

Swiss-based BIA Bond Investments said it was the first foreign fund to be recognised by the Securities and Investments Board under the Financial Services Act 1986. Recognition allows foreign funds to be advertised and marketed in the UK in the same way as domestic unit trusts.

Cost cutting may switch more drug buying to Europe

By Peter Marsh

MR KENNETH CLARKE, the Health Secretary, is considering ways to limit increases in Britain's £2bn a year pharmaceuticals bill by purchasing more drugs from other parts of Europe where these products are cheaper.

The move, which is likely to be bitterly resisted by much of the UK's pharmaceutical industry, is one of a number of ideas under discussion at the Health Department related to changes in Britain's drugs purchasing practices after 1992.

In that year, trade barriers across the European Community are due to be eliminated.

The changes should lead in theory to more cross-border shipments in pharmaceuticals – whose prices vary widely across the EC and which at present are purchased in Europe mainly on a national basis.

Mr Clarke's ideas about examining the possibility of increasing drug imports – which currently account for 5 per cent to 10 per cent of the National Health Service drugs bill – stem from the higher prices charged for drugs in Britain compared with some other EC countries such as France, Italy, Spain, Portugal and Greece.

By purchasing more drugs from such nations – assuming manufacturing standards in these countries were tightly controlled – Britain's overall spending on pharmaceuticals could be reduced.

The move would tie in with other measures which the Government is keen to introduce to place limits on the UK's drugs bill, which has risen significantly in recent years.

These other measures, which include efforts to encourage general practitioners to prescribe more generic drugs as substitutes for more expensive branded products, were outlined in the Government's review of the health service published last week.

Britain's £4bn a year drug industry includes UK-owned companies such as Glaxo, Beecham and Imperial Chemical Industries together with a number of subsidiaries of big overseas groups such as the US's Merck and Hoechst of West Germany.

Those companies argue that the comparatively high UK drug prices are necessary to encourage them to maintain high levels of investment in UK-based research and manufacturing.

The Association of the British Pharmaceutical Industry, which represents most of the leading UK-based drugs groups, said yesterday it would be "very concerned " about any hard proposals to increase imports from lower-cost countries.

It said it feared that such moves could drastically damage the health of the UK industry.

Other ideas being considered by Mr Clarke include making more use of comparative information about the manufacturing costs and prices of drugs in different EC countries which the European Commission in Brussels is in the process of collecting in the run-up to 1992.

Health Department officials who negotiate drug purchases with UK-based pharmaceutical groups could use such data to ensure that prices charged for medicines in the UK are broadly comparable with those levied in other countries.

Mr Clarke is also believed to want to see greater moves by the European drugs industry as a whole to cut its own research and production costs.

Some of these savings, which could be made through drug companies reducing the number of separate plants and laboratories which they operate in different European nations, could be passed on to the government health authorities.

In Europe, these are the main customers for pharmaceuticals.

Many of Mr Clarke's ideas on ways to limit further increases in the NHS's drugs spending are expected to surface in discussions with the UK pharmaceutical industry about a new framework for British pharmaceutical prices.

This framework, called the Pharmaceutical Price Regulation Scheme, was last negotiated in 1986 and is due to expire in 1992.

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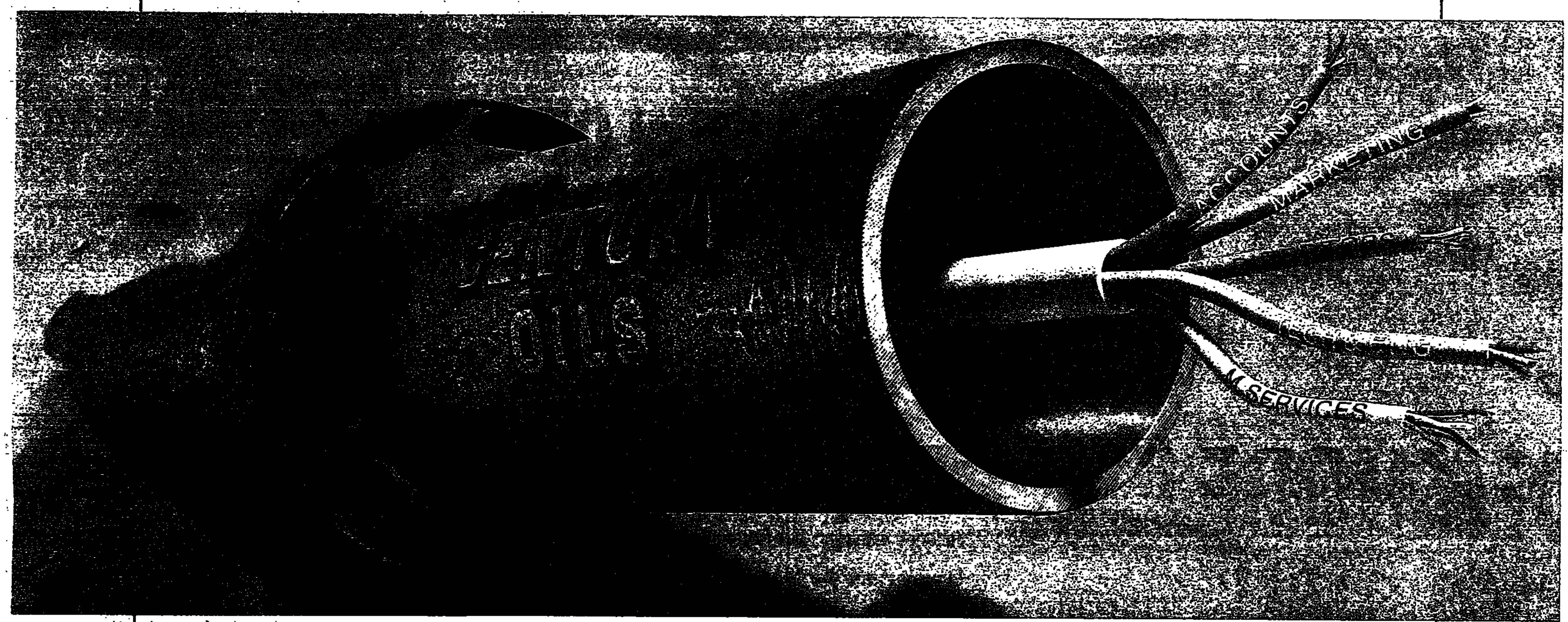

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Government still assessing plans for road and rail

By Kevin Brown, Transport Correspondent

THE GOVERNMENT is still a long way from deciding how to privatise British Rail and attract private capital for road building, transport ministers admitted yesterday.

Mr Paul Channon, the Transport Secretary, said decisions on both issues would have to await responses from local discussion groups as part of an internal party debate on transport.

Mr Channon said 1989 "is clearly going to be a year of major decisions which will shape the future of transport in this country well into the next century."

But he said no decisions had yet been made on which of five options sketched out at last October's Conservative Party Conference would provide the best route for privatising BR.

Mr Channon said the Government was still "at an early stage" in formulating a policy for private roads. No decisions had been taken on how the law might be changed to allow private tolls.

"We have not decided yet to construct toll roads. We are consulting a lot of people, not least in the Conservative Party. We may be in a position soon to issue a consultatiion paper, but it will be for consultation only," he said.

Mr Channon said the Government had received only "one or two tentative ideas" in response to an invitation to private sector companies to propose road schemes.

Mr Michael Portillo, the junior Transport Minister responsible for private sector investment, said he had talked to a number of banks and financial institutions, but no specific routes were under discusson.

The Government also appears to have made little progress with attempts to encourage privatisation of state-owned ports.

Mr Channon said a year ago that state-owned ports were "prima facie candidates for privatisation." However, most are unlikely to seek privatisation while the Dock Labour Scheme, which protects employment for some workers, remains on the statute book. Mr Channon said policy formulation was "at a very early stage."

Learning to pay off an educational debt by degrees

Michael Prowse considers the arguments surrounding possible replacement of student grants by loans

OF the Government's controversial plan to introduce student loans as a partial replacement for state maintenance grants and parental contributions, Mr Andy Firth, president of Liverpool University students' union concludes: "It would certainly have made my decision to enter higher education harder."

Mr Firth, like many students, believes loans would make British higher education more, rather than less, elitist. "I didn't know anybody who had been to university before I came to Liverpool's open day," he points out. People in such a position, he implies, are unlikely to base their decisions on shrewd calculations of the financial return on higher education (which the Government's recently published legislative proposals estimate could exceed 25 per cent in some subjects).

His arguments echo those made by the Robbins Committee on higher education, which reported in 1963. The Robbins report recommended a big expansion of universities and polytechnics, but found on balance against loans, partly on the grounds that they could have "undesirable disincentive effects," especially within families where the habit of higher education was not well-established.

Ministers are not impressed by such reasoning. They point out that loans are the norm in countries such as the US, Canada, Japan, Sweden and West Germany, and argue that there is no clear correlation between participation rates in higher education and financing mechanisms.

Japan, for example, educates proportionately more than twice as many young people to degree level as the UK, yet students have to pay fees as well as support themselves.

Such arguments are a little disingenuous. Parental commitment to all forms of education is far greater in Japan than in the UK. What works elsewhere would not necessarily work well in Britain.

The Government also argues that students ought to finance part of the costs of their education because they are likely to earn considerably more than the average citizen. This argument has some force. But not all graduates earn high incomes and, since the expansion of the 1960s, not all are from privileged backgrounds. Loans will tilt the balance of opportunity in favour of students from prosperous families and in favour of those entering lucrative professions.

Above all, loans are being sold as a way of widening access to higher education. The idea is not that loans will attract more students but that they will reduce the net cost to the taxpayer of educating each undergraduate and thus allow the participation of more students for a given commitment of public resources.

For right or wrong, some form of loan scheme looks certain to be introduced. Indeed, the 50 per cent reduction in the purchasing power of the maintenance grant since the 1960s and the steady rise in the contribution expected from parents (see table) have already obliged many students to take out commercial loans at unfavourable interest rates. The real debate is over the terms, structure and scale of a government scheme.

The recent policy document (White Paper) on education proposes to freeze the grant and parental contribution from 1990-91. The initial loan would be a modest £420 (compared with a grant outside London of £2,230), but it would rise steadily until it accounted for 50 per cent of students' total support, with the grant and parental contributions thus frozen.

The speed with which the loan component builds up would depend on inflation: if this averaged 3 per cent a year (the Government's optimistic assumption), the scheme would mature in 2007-08; but if inflation were higher, the loans would build up faster.

The intention is to charge students only that component of interest which reflects inflation. This would be achieved by revaluing outstanding loans in line with inflation each year. Thus an outstanding loan of £1,000 would be raised by £50 each year if inflation were 5 per cent. Most students would be expected to repay their debts within about 10 years and loans outstanding after 25 years would be written off. If a graduate's income in a given year were low, say less than 85 per cent of the national average, repayments could be deferred.

Ministers want commercial banks to administer the scheme. But the banks have many reservations.

They do not much relish acting as debt-collectors for central government, rightly fearing they may alienate potential clients. They point out that there is no mechanism for dealing with default – which has been the Achilles' heel of loan schemes in other countries.

The banks also fear that administration costs will be heavy. The effort involved, for example, in establishing that graduates are below the income threshold required for repayments is likely to prove prohibitive in view of the loans' low face value.

Dr Nicholas Barr, a lecturer at the London School of Economics, reckons that administration costs could outweigh the expected savings from introducing loans. Civil servants are sceptical of his calculations, but there must be a risk that the savings would be modest and that the scheme would thus do little to improve access.

If the Government wants to minimise disincentive effects, reduce administration costs and lower the risk of default, it needs to find a better repayment mechanism.

The most obvious solution is to require graduates to pay a slightly higher than average national insurance contribution until their debt is extinguished. (People already pay different rates of National Insurance, an income tax levied to support social services, depending on whether they are contracted in or out of the state earnings related pension scheme.) Dr Barr reckons that an extra 1¼p in the pound over 25 years could finance half the London grant even if students were charged a 2 per cent real rate of interest.

However, the graduates would hardly notice that they were repaying a debt and thus students would not be discouraged from borrowing to finance their education. The size of repayments would be automatically linked to income. Administration costs would be much lower. And default would be nearly impossible for anybody with a job. Sizeable public expenditure savings would be likely and the goal of widening access would thus be easier to realise.

The national insurance mechanism is not without flaws. Critics point out that provisions would be needed for graduates who never take jobs and so never make contributions – for example, those living on private incomes or women who marry young. The Treasury is thought to favour mortgage type repayments because they would put a higher premium on personal financial reponsibility – and encourage a further shift towards "useful subjects."

The Government's eventual choice of repayment mechanism will demonstrate whether it is genuinely interested in broadening access or whether it cares more about influencing the choices, attitudes and behaviour of students.

This is the third in a series of articles on the UK education system; the first two parts appeared on Monday and yesterday.

Olsen may support buy-out plan for Harland and Wolff

By Our Belfast Correspondent

MR FRED OLSEN, the Norwegian shipowner, emerged yesterday as an investor interested in backing a management-employee buy-out of Harland and Wolff, the state-owned Belfast shipbuilder.

It is understood that Harland has reached agreement in principle for Mr Olsen to place orders for three bulk tankers worth about £90m which would form the backbone of the buy-out proposal.

The disclosure of the Norwegian company's interest is being interpreted as significant because the UK Government has indicated that its financial support is dependent on any new owner having a viable order book.

Mr Olsen met Mr Tom King, Northern Ireland Secretary, earlier this week to discuss his proposal. The Department of Economic Development in Belfast said yesterday they welcomed his interest and were awaiting details of the proposals.

Mr John Parker, Harland chairman, said that the company has met a number of interested parties since the management-employee buy-out proposal was floated last October.

Mr Parker said he believed that the commitment and experience of Mr Fred Olsen as an international shipowner and industrialist, allied to the determination of the workforce to make the company successful in its new form, would create a strong and competitive Harland and Wolff for the improving market in the next decade.

Mr Parker said that Fred Olsen & Company had been invited by management to acquire a major share in the proposed buy-out. Government ministers are also proceeding with talks with the London-based Bulk Transport Company about a possible buyout of the yard.

Builders plan French housing projects

By Andrew Taylor, Construction Correspondent

PLANS to build 1,000 French appartments and houses worth £40m were announced yesterday by McCarthy & Stone a British developer specialising in retirement and second homes.

It is one of several British developers expanding into housebuilding on the European Continent.

Barratt and Beazer two of Britain's biggest builders companies have recently started housebuilding businesses in France. Wimpey which has been building homes around Paris since the mid 1970s is expanding its operation to Lyons where it hopes shortly to be building about 100 homes a year. Wimpey last year built about 300 homes around Paris.

In a joint venture with Les Nouveaux Constructeurs, the publicly-quoted French builder, Beazer recently completed its first deal for 38 houses and 40 flats at Vaires-sur-Marne to the east of Paris. The partners are negotiating for a further 33 flats and commercial offices at Asnières-sur-Seine to the north west of Paris.

Laing Homes, another leading British housebuilder, has started talks with potential partners in Holland and southern Germany where it hopes to start operating next year. It also looking to build houses in France, Spain, Italy and Greece.

Merlin Immobilier, McCarthy & Stone's Paris-based subsidiary acquired for £14.5m last summer, says it has acquired a further 11 sites in France capable of producing up to 1,000 new homes during the next two years.

The French company sold more than 1,000 appartments last year. When acquired by McCarthy & Stone it had 26 sites under construction or recently completed.

These will be holiday or retirement homes unlike some of those now being planned by Wimpey, Beazer, Barratt and Laing which aim to sell permanent homes to continental nationals. Several of the British companies also build holiday and second homes on the European Continent for British buyers.

Companies such as Laing, however, have developed successful housebuilding businesses in the US and want to repeat this success on the European Continent.

Plans to remove trade barriers between European Community countries in 1992 has also encouraged investment there by UK housebuilders. The construction of the Channel tunnel has led to increased interest in northern France by some British developers.

Declan Kelly and Brent Walker two British developers last November announced plans for a £50m housing development in Le Touquet, northern France. About 60 per cent of the 1,000 homes were expected to be sold to Britons wanting second or retirement homes.

Last week Calais town council announced that it had chosen Arlington Securities, the British property group, to develop a £250m business park and retail development on the outskirts of the town.

Cost of housing homeless

MORE than £100m a year is being spent by local authorities to provide temporary accommodation for homeless people, says to a report published today, writes Joel Kibazo.

The report by the Audit Commission, the independent watchdog on local government finance, says more than 11,000 households – some 30,000 people – are living in temporary bed and breakfast accommodation at local authority expense. The figure has risen from just over 5,000 in 1982.

The report, which concentrates on people who must be housed under the law, says the number of households accepted by local authorities as homeless in England has grown steadily from 7,652 in 1970 to around 116,000 in 1987.

JOBS

The high penalty of careless applications

By Michael Dixon

RIGHT, then, which one of you was it? I ask because, having frequently thumped the pulpit on behalf of job-candidates who have been mis-treated by recruiters, I feel it only fair to do the same when the fault is the other way round.

The culprit will know what I'm talking about on seeing the name of head-hunter John Reid, whom I last mentioned 11 weeks ago in connection with a British group's need for a financial director.

Among numerous readers of this corner of the *FT* who applied for the job, he says, was one "who could not meet me in Manchester as we'd arranged, and persuaded me to go to Dublin where he worked. After I had booked a no-refund cheaper ticket the previous week, he cancelled the meeting on the eve of my special trip because he had accepted another post."

Now, while that by itself might not justify a homily on the need for considerate behaviour by both sides of the employment market, it is unfortunately not the only grumble which has recently emerged from the recruiters' camp. Indeed, my belief that Jobs' column readers are perfection itself has been somewhat shaken by news from several recruitment consultants that people who apply to them by way of the *FT* tend to be just as careless as applicants coming to them from other sources.

If so, some of you may feel your ears burning on reading the advice which another headhunter, John Courtis, gives to employers on how swiftly to whittle down the initial entry for executive jobs. Instantly bin, he says, all applicants who:

1 Mis-spell your personal or the company's name and address.
2 Ignore the instructions on how to reply and, in effect, invent their own — unless the substitute is brilliant marketing.
3 Omit their address or a legible version of their name.
4 Send a bad photocopied standard letter with only your name in typescript.
5 Demand more data on the job without offering any about themselves.
6 Send a curriculum vitae of more than two pages.
7 Make no effort to show how they meet the various requirements specified by the job advertisement.
8 Fail to quote your reference or the job title, or to say where they saw the ad.
9 Avoid mentioning their present salary or age.

Mr Courtis goes on to offer employers a "guarantee" that this simple exercise which can be performed by your support staff eliminates a substantial minority, or even a majority, of any normal group of ad replies. In case you think we are being too ruthless, consider whether you would want such people to be equally slipshod in your corporate name."

To say there is justice in what he says — which I do — is of course not to deny that recruiters also have their faults. And there is one of them that to my mind makes it highly important that applicants studiously avoid the sorts of carelessness denoted by the previous list.

The fault in question was identified as widespread among employers by the Institute of Manpower Studies' recent survey of recruiting rituals, which was reported in this column on December 7. The IMS found that most people charged with engaging new staff set about the task negatively.

In particular, what they primarily look for when examining applications is evidence that candidates are not fit for the job rather than evidence that they could succeed in it. Moreover, while the survey was limited to employers in Britain, responses to my report on it suggest that the same is rife in other countries too.

Now, with all due respect to Mr Courtis, I doubt that it is only candidates who send in unblemished applications who are fitted for executive work. After all, the condition of being sinless is often a different thing from being positively good.

Nevertheless it seems likely that, even in the best of circumstances, recruiters' prurient attitudes prevent a good many important jobs from being awarded to the candidate best equipped to do them. So since it is surely in everyone's interests to have key jobs done as well as possible, otherwise capable candidates who send careless applications are needlessly making things worse, not only for their own career prospects but for the general welfare to boot.

Group chief

THAT being said, I am happy to add that the aforesaid John Reid's fruitless fare to Dublin has not deterred him from coming back with another offer. This time he is seeking a group managing director for a near-£100m turnover business, based in the east of England, with a dozen subsidiaries which manufacture and supply food and allied products.

Being unable to name his client, he — like the other headhunter to be mentioned later — promises to abide by applicants' requests not to be identified to the employer at this stage of the proceedings.

The recruit will be fully responsible for the profitable running of the group, whose chairman is non-executive and which is said to be sound and profitable although some tightening-up is needed. But the prime task for the new managing director will be to pilot the business to a public flotation within the next two years. So great importance will be attached to the achievement of profit and expansion targets.

Candidates should ideally have a formal qualification in management as well as a record of success in the craft which has led them to top executive responsibility in a company of comparable kind. In addition to professional management skills, however, they need demonstrable commercial acumen, the drive to achieve results and above all leadership ability.

While no pay figure is quoted, the weight of the job suggests that the salary is unlikely to be less than about £60,000. The other benefits will include a stock-option scheme and a car.

Inquiries to Mr Reid at Executive Search, 8A Symons St, London SW3 2TJ; tel 01-730 0137, fax 01-730 0612.

Innovator

RECRUITER Anthony Nevile seeks a qualified engineer to be the specialist services manager of a construction company based south-west of London, which has doubled its size in the past 12 months.

The services for which the newcomer will be responsible include high-tech structural repairs, diamond cutting and drilling work, marine civil engineering, and various aspects of design-and-build projects.

Candidates should not only be innovators, but also have achieved commercial successes in a construction-industry job. Another need is the persuasive skills and other personal qualities to work effectively with the company's hard-driving, profit-minded top managers.

The salary indicator is £35,000, with car among perks. A seat on the main board is in the offing.

Inquiries to Anthony Nevile International, 31 Castle St, Farnham, Surrey GU9 7JB; tel 0252 711311, fax 0252 733120.

UK Corporate Banking Executive

City

Age 35 plus

The long established London branch of a major international bank is expanding its corporate business presence in the UK. It is seeking to appoint a marketing based banker to this key post in order to head up the profitable development of the UK corporate banking business.

The appointee will report to the head of the promotions group and play an important role in the marketing, development and execution of syndicated and commercial banking transactions for a wide range of medium to large UK corporate clients.

Suitable candidates should be graduates with a strong base in analysing and assessing risk for corporate clients. The prime requisite is considerable experience of marketing banking products to UK corporates, including new client development. Experience of creating marketing plans is essential along with a record of client portfolio growth. Your style should be flexible, outgoing and team oriented. Both your interpersonal and presentation skills must be excellent.

An attractive salary and benefits package will be offered.

Please reply in confidence giving concise personal, career and salary details to:
Michael Fahey, Ref A30,
Arthur Young Corporate Resourcing,
21 Conduit Street, London W1R 9TB.

Arthur Young Corporate Resourcing

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SIB

Policy Development

The Securities and Investments Board (SIB) is a high profile body at the centre of regulation of UK investment business. SIB now seeks to appoint three high calibre individuals to join its Intermediaries and Regulation Divisions.

Assistant Director
Intermediaries Division

Working within an established and professional environment, the successful candidate will be a key member of a small team responsible for developing and implementing policy on the marketing of pre-packaged investments such as unit trusts, PEPs, business expansion schemes and life assurance policies. The division also maintains close liaison with LAUTRO, FIMBRA and the recognised professional bodies.

The successful candidate will probably be a professionally qualified graduate with excellent analytical and communication skills. A good knowledge of the investment sector is essential.

Two Policy Assistants
Regulation Division

SIB seeks to appoint two policy assistants to work closely with the Director of Regulation in developing regulation arrangements with overseas and UK banking and securities regulators. One position will particularly concentrate upon the impact of financial regulation and will therefore require a high degree of numeracy.

Candidates will be graduates aged between 24-28, possibly with a professional qualification, and with good communication skills, both oral and written. A knowledge of banking or securities business would also be useful.

Each appointment offers an attractive salary and package. Interested applicants should contact Karin Clarke on 01-831 2000 or write to her at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

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For a confidential discussion about 3i opportunities nationwide, please telephone Penny Bramah or Lindsay Sugden ACA on 01-831 2000 or send your curriculum vitae to them at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

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Our research department specialises in the capital goods sectors where we have a long standing reputation. At present we are particularly looking for a smaller companies analyst whose portfolio would include a number of electronics based companies. We would also like to hear from analyst with established track records in any of our traditional research areas.

Please send full CV in strict confidence to G K Sharp,
Albert E. Sharp & Co, Edmund House, 12 Newhall Street, Birmingham B3 3ER

CJA

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The position offers a highly competitive compensation package including a Company Car and concessionary mortgage. If you would like to be considered for this position, please telephone **Michael Thompson on 01-222 7733** or write to him at **John Sears & Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.**

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Young, high quality individual sought by top UK Merchant Bank to initiate and co-ordinate Corporate Mergers and Acquistions. The position would suit an industrialist, aged mid-late 20's, possessing the Masters of Business Administration degree or a fully qualified Accountant with a minimum of one years post-qualification experience from within a financial institution. You would be energetic and competitive with developed qualities of drive and influence to sustain this environment, where your potential will be fully exploited.

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Exceptional opportunity to travel world-wide with a team of highly professional Auditors of top US Investment Bank. The successful individual will display adaptability and flexibility, a sense of urgency and team play. The ACA/ACCA qualification in full is essential along with experience of Bank Audits in Treasury and/or Auditing in a similar environment.

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The Autobar Federation is a unique European business. Our companies operate profitably in two specialist areas: plastics and packaging, and food services and distribution.

They hold their leading position in so many European markets by providing modern and progressive products and services which match the needs of today's customers.

While retaining their own management, their own style, and their own responsibility for profitable growth, they share the Federation's pooled experience, ideas, products and technology.

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If you are graduating this summer and are ready to join Autobar's elite team of European management trainees, please send your cv or personal history and education details together with a photograph, and describe in not more than 300 words why you are suitable, to Stephen Newman, **Ref:2862/SN/FT, PA Consulting Group,** Hyde Park House, 60a Knightsbridge, London SW1X 7LE. Tel: 01-235 6060.

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We need a part-time Trust and Investments Officer, based at our Headquarters near Kings Cross, to monitor the management of our investment portfolio and special trust funds.

Reporting to the Chief Accountant, you will be responsible for ensuring that appropriate accounts and accounting procedures are followed, and for briefing both the Finance Committee and Society Management Team on the performance of investments.

You should have a professional financial qualification as well as extensive relevant experience including working knowledge of appropriate legislation. Communication and liaison skills are also essential.

We consider all applications for employment on the basis of suitability for the post, irrespective of race, sex or disability.

For an application form/job description and statement about our Christian basis, please contact Janet Roberts, Administrative Officer, Edward Rudolf House, Margery Street, WC1. Telephone 01-837 4200. Ext. 306.

Please quote ref: 267/FT.
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The Children's Society

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The ideal candidate will have demonstrated analytical and leadership ability through an exceptional record of academic and professional achievement. You must have an advanced degree from a leading university, 2-3 years of experience in a prominent merchant bank or management consultancy and the capability to work with senior management on complex issues of critical concern to the economic value of their enterprise. Fluency in English is necessary and at least one other European language is highly desirable.

For those select individuals that qualify we offer a very attractive compensation and benefits package. Equally important, we offer the opportunity for professional growth and advancement while helping us to build our European consulting practice.

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PROJECT FINANCE Team Leader

Vice President **Salary Negotiable**

Union Bank of Switzerland (UBS) wishes to recruit a senior specialist to lead its Project Finance Team, which is shortly to be established in London to handle its existing activities in limited recourse financings in the U.K. market, which are presently handled from Zurich.

Ideally aged between 35-45, you will have several years' experience in project finance gained in a position where you have been responsible for transactions from origination to documentation, including structuring of lead mandates. You should also have a sound credit training and a wide range of contacts in inter alia government, local authorities, companies and other banks.

You will head up a small team of experienced people within UBS London, with the responsibility of marketing to clients, analysing risk, structuring deals and closing transactions. You should be a leader, a dynamic and entrepreneurial individual who is prepared to give full commitment to enhancing further UBS's good reputation and activities in the project finance area in the U.K. You will report to the Senior Vice President, Corporate Banking, London and will work in close collaboration and co-operation with the Project Finance Teams in Zurich and New York.

The position carries an attractive package consisting of a competitive base salary, a bonus scheme and all the usual banking benefits. You will have an opportunity of a long term career in a first class bank, which is strongly committed to the U.K. market.

Applications, marked strictly confidential, should be sent to Peter Conroy, ACIB, MIPM, Vice President, Personnel, Union Bank of Switzerland, 122 Leadenhall Street, London EC3V 4QL and should contain a full c.v. with particular emphasis on project finance experience.

Union Bank of Switzerland

CREDIT ANALYST

Salary Negotiable

As a result of increased trading activities, Union Bank of Switzerland is seeking to appoint one or more Credit Analysts to join its Corporate Banking Department.

Ideally aged between 25 - 28, you will be working currently within a U.K. Clearing or other major bank environment and will have gained good experience in most aspects of credit assessment. We would prefer you to have already passed your Chartered Institute of Bankers' Diploma or be close to completion.

There are good promotional prospects and we offer, in addition to a competitive salary, excellent fringe benefits, including mortgage subsidy, non-contributory pension scheme and health insurance.

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Union Bank of Switzerland

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Good experience required of multi-currency Bond sales with coverage being France. Preferably a French National. Excellent package for the right person. Please call Richard Ward.

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is required to provide research back-up for European Fund Managers, develop own stock ideas, monitor existing equity investments. The position also includes the maintenance of records for private account managers. The successful candidate will prepare and present reports on stock recommendations to the overseas investment committee.

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You will have:

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Please write with full career details to Alan Beazley, Personnel Manager, Merrill Lynch Europe Ltd, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY.

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Total shareholders' funds : S$1.59 billion.
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Senior Credit and Marketing Officers

Candidates should have:

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- be able to work independently
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IMI International, through its subsidiaries, is an active broker of European equities and a market maker on the London SEAQ system in Italian equities. Reflecting our parentage, we are strongest in Italian stocks but we are also active in other markets, especially France, Germany, Spain and the UK. Our activities are fully supported by a strong research effort.

Our parent company, IMI in Rome is one of the largest Italian banking groups with total assets of $33 bn. The group has approx. $17.5 bn of assets under management. IMI International, the international arm of IMI, is charged with establishing a major presence worldwide in securities and capital markets on behalf of the parent company.

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Miss R. Fulgoni
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KUWAIT INVESTMENT COMPANY (S.A.K.), Kuwait seeks a Portfolio Specialist experienced at a senior level in multi currency bond portfolio management. The successful candidate should be in his 30's, have a least 5 years of bond portfolio management experience, experience in formulating investment strategy and a solid educational background in finance.

The package of benefits includes attractive salary, fully furnished accommodation, and other benefits.

Please reply in writing, enclosing a detailed curriculum vitae to :

Kuwait Investment Company (S.A.K.)
Administrative Manager
P.O. Box 1005 Safat Kuwait

U.S. EQUITIES PORTFOLIO SPECIALIST KUWAIT INVESTMENT COMPANY KUWAIT

KUWAIT INVESTMENT COMPANY (S.A.K.), Kuwait seeks a Portfolio Specialist experienced at a senior level in multi currency bond portfolio management. The successful candidate should be in his 30's, have a least 5 years of bond portfolio management experience, experience in formulating investment strategy and a solid educational background in finance.

The package of benefits includes attractive salary, fully furnished accommodation, and other benefits.

Please reply in writing, enclosing a detailed curriculum vitae to :

Kuwait Investment Company (S.A.K.)
Administrative Manager
P.O. Box 1005 Safat Kuwait

INTERNATIONAL APPOINTMENTS

OTC Worldwide Telecommunications Solutions
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LAW

Trader cannot claim conspiracy

METALL UND ROHSTOFF AG v DONALDSON LUFKIN & JENRETTE INC AND ANOTHER

Court of Appeal (Lord Justice Slade, Lord Justice Stocker and Lord Justice Bingham): January 27 1989

PREDOMINANT purpose to injure the plaintiff is an essential ingredient of the tort of civil conspiracy, irrespective of whether the damage was achieved by legal or illegal means; and proceedings served abroad will therefore be set aside insofar as they claim conspiracy without alleging that the defendants' main purpose in combining was to damage the plaintiff. But a claim for inducement to breach of contract will stand, though time-barred in the US where the inducement took place, if the substance of the tort including the breaches and damage occurred in the UK, and if on balance the UK is the appropriate forum.

The Court of Appeal so held when allowing part of an appeal by the defendants, Donaldson Lufkin & Jenrette Inc and its subsidiary, ACLI, from Mr Justice Gatehouse's decision affirming part of an order granting leave to the plaintiff, Metall und Rohstoff AG, to serve proceedings out of the jurisdiction. A cross appeal by Metall was dismissed.

LORD JUSTICE SLADE said that Metall, a Swiss company, traded on the London Metal Exchange through brokers including an English company called AML Holdings.

Metall's chief aluminium trader traded on his own account in fraud of Metall. Senior officers of AML knew of and connived at the fraud. Metall proceeded against AML. Mr Justice Hobhouse found repudiation of contract by AML. He gave judgment for over £50m. More than £43m remained unpaid. AML was wound up. AML was a subsidiary of ACLI, which was a subsidiary of Donaldson Lufkin. Both parent companies were Delaware corporations with a principal office in New York.

Metall sought to recover the balance of the judgment debt from Donaldson Lufkin and ACLI. It obtained leave to serve proceedings on them as defendants out of the jurisdiction. They applied to set service aside. Mr Justice Gatehouse affirmed the order in part, but set it aside in respect of some of the claims pleaded.

The defendants appealed and Metall cross-appealed against those parts of Mr Justice Gatehouse's order unfavourable to them. Metall's application to serve out of the jurisdiction was based solely on RSC Order 11 rule 1(1)(f), which permitted such service if "the claim is founded on a tort and the damage was sustained or resulted from an act committed within the jurisdiction."

Mr Justice Gatehouse considered that for the purpose of leave two torts were available to Metall, conspiracy and procuring breaches of contract.

Conspiracy would not have been actionable under New York law because there was no separate tort of conspiracy; and the claim for procurement of breach of contract was time-barred there. The defendants submitted that the acts giving rise to the claims were done in New York. They said that under the rule in *Boys v Chaplin* [1971] AC 356, if the acts were to give rise to tortious liability in the UK, they must have been actionable in New York when the English proceedings were presented.

The rule in *Boys v Chaplin* was that an act done in a foreign country was actionable as a tort in England only if it was an act which if done in England would be a tort, and if it was actionable according to the law of the foreign country.

In deciding whether an alleged tort had been committed in the UK or elsewhere English courts would look back to the events constituting it and ask where, in substance, the cause of action arose. They would apply exclusively English law. If they found that the tort was in substance committed in the UK they could wholly disregard the rule in *Boys v Chaplin*. The fact that some of the relevant events occurred abroad would have no bearing on liability.

With regard to the claim for procurement of breach of contract, the alleged acts of inducement took place largely in New York. The breaches of contract took place in London and the resulting damage was suffered in London.

If the acts of inducement were viewed in isolation, the torts would properly be regarded as committed in New York. But as it was a question of substance the matter must be looked at more broadly, taking account of the breaches and resulting damage.

As a matter of substance the torts were committed in London. Mr Justice Gatehouse correctly took that view. The defendants could not rely on *Boys v Chaplin* as barring Metall's claim for inducing breaches of contract.

Metall was also able under that head to satisfy the requirements of Order 11 rule 1(1)(f). The claim was founded on what was a tort in English law and damage had been suffered within the jurisdiction.

The conspiracy claim did not allege a sole or predominant purpose of injuring Metall. The question was whether it was actionable in England. If not, Metall had no arguable case under that head and should not have been given leave.

The alleged conspiratorial agreement had as its central object breach by AML of its contractual obligations to Metall, and the appropriation by AML of metal warrants owned by Metall. It was alleged that the defendants agreed to procure the breach and appropriation. The conspiracy was to do tortious acts.

Until the decision in *Lonrho v Shell* [1982] AC 173 it was believed that an an agreement to do an unlawful act or use unlawful means was actionable at the suit of any party at whom it was aimed and who suffered damage as a result.

In *Lonrho v Shell* Lord Diplock said with regard to civil conspiracy that "injury to the plaintiff and not the self-interest of the defendants must be the predominant purpose of the agreement in execution of which the damage-causing acts were done."

The House regarded the tort of conspiracy as anomalous because combination could render otherwise lawful conduct unlawful. It wished to restrict the scope of the tort.

Mr Justice Gatehouse concluded that it would be surprising if the House of Lords had intended to alter the nature of types of conspiracy which "have long been recognised as illegal means conspiracies, where predominant purpose has hitherto been immaterial."

Lonrho was an insuperable obstacle to the conspiracy claim; since Metall was unable to contend that the sole or predominant purpose of the agreement and performance was to cause it injury. The proceedings insofar as they were based on conspiracy must be set aside. Metall also claimed in respect of abuse of process of the court in that the defendants had adduced false evidence and submitted a false case to defeat certain claims.

The adduction of false evidence and submission of a false case might lead to sanctions or prosecution for perjury, but did not lead to damages in tort. The judge was right to refuse leave in respect of abuse of process. He should also have refused leave in respect of a claim to account as constructive trustees.

Order 11 rule 1(1) referred only to a claim to execute trusts. Metall's claims were for damages for breach of trust. They were founded on the three well-established categories of constructive trust where a person received trust property with notice that the transfer was in breach of trust; or, after receiving it, acquired notice of the trust and dealt with it inconsistently with the trust; or, did not receive the trust property, but knowingly assisted in the trustees' fraudulent design.

None of those categories fell within Order 11 rule 1(1)(f).

Metall also sought damages for inducing breach of trust.

There was no authority to support the existence of such a tort and no sufficient reason to introduce a new tort. The judge's conclusion that there was no arguable case on this head was correct.

In considering whether England was the appropriate forum the judge's exercise of discretion was technically flawed by his view that conspiracy was available to Metall, so that the discretion fell to be exercised by the present court.

Nevertheless, elimination of conspiracy had little impact on his reasoning. The substance of the tort of inducement to breach of contract was committed in London. Ascertainment of the appropriate forum involved a balancing exercise. London must be regarded as the right one in the absence of strong factors to the contrary.

For Metall: Mark Waller QC, Raymond Jack QC, Ian Geering and Louise Edwards (Herbert Smith).
For Donaldson Lufkin: Samuel Stamler QC and Thomas Ivory (DJ Freeman & Co).
For ACLI: Anthony Grabiner QC and Nicholas Stadlen (Freshfields).

Rachel Davies
Barrister

MANAGEMENT

Competence

Making the best of many moulds

Michael Skapinker examines how two companies set about creating balanced management teams

Tony Glaze of Cadbury Schweppes (left) and Mike O'Farrell of Kodak

Mike O'Farrell, a senior manager at the UK subsidiary of Kodak, had a familiar problem. The members of his management team were all talented individuals. As a group, however, they were not performing as well as O'Farrell thought they should.

The division which O'Farrell headed supplied materials such as films and photographic plates to the printing, publishing and oil industries. Printing and publishing in particular were going through dramatic changes.

"I didn't feel that we were responding to the changes as quickly as we needed to," O'Farrell says. He decided to find an outside consultant to help him improve the functioning of his management team.

Rather than attempting to get all his managers up to the same level of competence, O'Farrell decided to accept that each would always be strong in certain areas and weak in others.

It is an approach that has been adopted by other companies, too. Cadbury Schweppes, the soft drinks and confectionery group, has rejected the view that there is a single model of management excellence. Like O'Farrell, the company aims instead to discover what managers' strengths and weaknesses are. Teams can then be formed in which the weaknesses of some managers are balanced by the strengths of others.

O'Farrell knew that Kodak used McKinsey as advisers on strategy. He thought, however, that McKinsey operated at a level too elevated for his own needs. He asked Kodak's head of human resources if she could recommend a consultancy which could help him. She suggested a firm called Professional People Development.

Anita Hall, of PPD, visited O'Farrell and told him that she would need to interview each member of his management team for up to three hours. Each interview would be video-taped. On the basis of the interview, she would produce a profile of each manager, together with a personal action plan. The managers would then get together to decide how they could function more effectively as a team.

O'Farrell was sceptical. He decided to volunteer one of his people as a guinea pig. Both O'Farrell and the manager concerned thought that the resulting profile was accurate and identified the manager's strengths and weaknesses correctly. O'Farrell also thought it gave him a better understanding of how the manager's decision-making process worked and why he had been more successful on some projects than others.

He then decided to subject himself to the process. "I thought if I wanted to get the team on board I'd better be the next one to be interviewed," he says. The other managers "were initially resistant to the idea of being interviewed. But they felt that if I was going to do it, it couldn't be that bad."

One aspect of his own profile which O'Farrell found useful was the observation that he had a tendency, when he was considering a problem, to keep his thoughts to himself. As a result, he had given his managers the impression that he was either ignoring problems or had no idea how to tackle them.

O'Farrell says that PPD broke down the decision-making process into its different components. Among the issues looked at were whether managers rushed in to resolve a problem or stood back and weighed up their options. Managers were also assessed for their ability to adapt to different situations and to see other people's points of view.

Eventually all 10 members of his management team were interviewed. After going through their profiles individually with Hall, they met to discuss the results with one another. "Initially there was some nervousness," O'Farrell says. Gradually, however, people began to relax. "I've always felt that not everybody is perfect. The profiles brought home to me where people were strong and where they were weak."

This enabled him to balance the teams that were set up to handle various projects. It also helped him to choose the people best able to handle particular projects and enabled him to avoid setting unrealistic targets for his managers. Each member of the team, he says, also gained a better understanding of how the others operated.

Having completed this process with the senior management team, O'Farrell went through a similar exercise with middle managers and secretarial staff.

The reaction to his initiative from the rest of the company was "initially absolute horror. But they had seen the competition we were facing and they saw the changes in individual managers. Now some other divisions are going through the same process."

Last year, while some of his staff were still completing the programme, O'Farrell was appointed manager of Kodak's consumer products division. He has begun a similar programme with his managers there.

Tony Glaze, group manpower development director at Cadbury Schweppes, is another senior manager who has rejected "this culture of everyone having to be good at everything." He says that "once you accept that everybody is a rich mixture of strengths and weaknesses, the question becomes 'how do you place them to ensure maximum effectiveness both for them and for the business?'"

"We're interested in harvesting what's there. I'm not one for bashing away at what isn't there," Glaze says. Although many skills can be acquired, some cannot. "If somebody doesn't have intuitive judgment, you're not going to train that into them. If you want people with intuitive judgment, you'd better find them."

To enable managers to assess their employees' skills and abilities, Cadbury Schweppes has drawn up a "menu" of 50 competences. These are divided into six groups: strategy, drive, influence, analysis, implementation and personal factors.

Competences grouped under the heading of "strategy" include the ability to think critically and to challenge conventional wisdom. Another strategy competence is "environmental awareness": being well-informed on the economic, social and political environment in which the business operates.

"Drive" includes competences like self-motivation. "Influence" includes the ability to communicate, both verbally and in writing, and to develop subordinates. "Analysis" includes such things as being able to draw out information during meetings with colleagues and the ability to analyse, organise and present numerical data. "Implementation" includes the ability to understand the impact of decisions on other parts of the organisation. "Personal factors" include readiness to take unpopular or difficult decisions.

To determine which of these competences they have, managers are tested by various means, including assessment centres, psychometric testing and questioning the manager concerned directly.

In attempting to assess competence in planning and organising, for example, managers are asked how they schedule their time and plan their daily activities. They are asked what their objectives are for the year and how they keep track of their progress towards achieving them. They are also given a list of books, cassettes, films and courses which could help them to improve their planning and organising skills.

Managers can use the list of competences to assemble well balanced teams in the same way as O'Farrell has done at Kodak. Glaze argues, too, that managers can make their recruitment and promotion decisions in a more rigorous and scientific way. "We've been trying to bring much greater discipline into the way decisions about people are made," he says.

How does Cadbury Schweppes decide which competences on the list are applicable to a particular job? "You get a range of opinions," he says. "You ask the current incumbent. You ask his boss. When people retire from here, I try to get all the information in their heads on the people they know and their jobs." Glaze is severely critical of the view that all managers should try to develop the same competences or that there should be a comprehensive list of management skills and abilities. "We ask 'what does this person need to succeed in this situation — in this job, with these people, with these demands, in this climate and this culture?' Success and failure are situational," he says. Because someone succeeds in one job, it does not necessarily mean they will succeed in a different job with different requirements.

Reorganisation

The real David Brown

Nick Garnett on Britain's largest independent gear manufacturer

David Brown? Isn't that the company that owns Aston Martin? It also makes farm tractors, doesn't it? Isn't it part of some big company like Hawker Siddeley? Or is it GEC?

Owning one of those famous names in British manufacturing but exercising a dispiritingly feeble grip on public perception of what it does is something David Brown has lived with for a long time.

"That must be our fault," says James Stanford, the chairman, sitting in his oak-panelled office overlooking the company's straggling and somewhat chaotic 17-acre site above Huddersfield.

The confusion though is hardly surprising. David Brown did once own Aston Martin but sold the car business to a consortium of businessmen 17 years ago. It did once make tractors but sold the operation to JI Case of the US at about the same time. Today, it is the UK's largest independent manufacturer of gears.

A liquidity crisis forced the company to retrench into its traditional role as a gear maker in the 1970s, but, like a handful of other British medium-sized engineering companies, it has survived the turbulence in the UK engineering industry.

It has also remained a purely family-owned company. Altogether, five generations of the Brown family have run it, ever since the original David Brown started a pattern-making business in west Yorkshire in the middle of the last century. David has been a confusingly popular name. The oldest surviving member is Sir David Brown, an 84-year-old yacht-owning tax exile in Monaco who expanded the company brilliantly. He linked up with Harry Ferguson to produce farm machinery in the 1930s, then bought Aston and took a controlling interest in the Vosper Thornycroft ship yard.

Like other industrial entrepreneurs such as Joe Bamford who founded JCB, the Browns got on with the job away from the glare of the stock market.

The company has recently emerged from another very difficult stretch. The last recession hit it for six as demand in Britain slumped for industrial gears, 70 per cent of the company's business. It also purchased an American gear company in the early 1980s which was found to be loaded with debt and turned into a disaster. The result was that David Brown racked up losses for the five years starting in 1981. Its employment in the UK slithered from 5,250 in 1977 to 4,500 in 1979, then slumped to its present 1,750.

Management reshuffles have peppered the company's history. Sir David was effectively ousted from control in the late 1960s, although he made one unsuccessful attempt to take back the helm at a later stage. The past two years saw more changes with the arrival of Stanford, gentleman farmer and banker. "There was conflict between management and family," says Stanford. "I'm like an agent to a private estate."

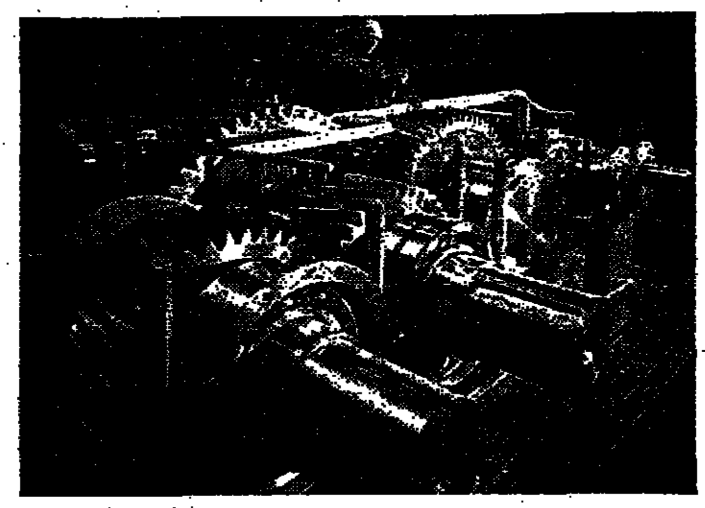
The company still has a lot on its plate. It made a meagre £2.5m profit on an £85m turnover last year. Its Huddersfield site is disorganised. "It's the most inefficient lay-out you could think of," says Stanford. "It's got every ghastliness. We could save £1.5m a year by reorganisation."

The UK market for industrial gears is only one sixth that of West Germany's and a half that of France. The big West German gear producers, ZF in automotive gearboxes, Flender in industrial gears, Voith for rail locomotives and Renk in military vehicle gearboxes have that German habit of surviving everything that is thrown at them.

But the British company is not slow to point out its strengths. It has probably the broadest spread of gear and transmission technology offered by any European company. Its products range from the massive gearbox for the British army's new Challenger tank and transmissions weighing up to 250 tonnes used in ore extraction down to the tiny gears found in swivel barriers in supermarkets. "It would have been easy to make a lot more short-term profit if we ran down our technology," says Stanford. "But in a few years' time we wouldn't be competing in the same league. As a private company we can take a longer-term view."

The company is on the point of making big changes at the Huddersfield plant, with some work possibly transferring to its gear factory in Sunderland. It also sees new markets for itself — for truck gearboxes which it got out of in the 1970s and for industrial gears. Sales of gears are booming and its small pump business is doing well.

But can David Brown remain an independent company? "We've gone past clogs to clogs but you can easily get back there and I'm very conscious of that," says Adam Brown, the 33-year-old deputy chairman and grandson of Sir David. "We definitely want to continue as a family business."



A David Brown gear for a Pirelli plant in Italy

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TECHNOLOGY

Bell to unveil a chip powered by light

By Della Bradshaw

BELL Laboratories, the research arm of American Telephone and Telegraph (AT&T) which developed the transistor and the microchip, is poised to announce another breakthrough later this month – a computer processor operated by light, not electricity.

The Bell Labs device incorporates nearly 10,000 "gates" – compared with 1m on the most sophisticated electronic chips. This is adequate to control a relatively simple piece of equipment, such as a dishwasher.

At a meeting in Salt Lake City on February 28, the AT&T laboratory will give details of the optical processor and probably have a prototype on show.

Optical devices use the light emitted by a laser as the power source for processing information. Devotees of the technology will be waiting to see whether the Bell Labs device is completely dependent on light for its operation, or whether it is a hybrid that also employs some traditional electronic techniques.

The processor could be the first step towards the development of an optical computer running on light rather than electricity. Protagonists of optical computing argue that because such machines will be able to handle large numbers of bits of data in parallel, they will be much faster than traditional electronic computers, which handle data sequentially. However, as computer companies develop electronic processors which can act in parallel, critics of optical computing believe that it will only find niche applications.

John Midwinter, professor of opto-electronics at University College in London, believes optics and electronics will eventually be used together. "What we really want is a mixture of optics and electronics which will give us something better than either can give us on its own."

While the debate continues, less sophisticated optical devices will almost certainly find a home in public telephone networks, built of optical fibre cable, to give faster and more reliable communications. At the moment, if a light signal needs boosting, or several cables need joining, the devices which do that are electronic. This means that the light signal has to be converted into electrical power and then back into light for the call to continue its journey.

Many university research departments and computer and telecommunications companies are developing optical devices. British Telecom in the UK, for example, recently announced that its research laboratories had developed a way of using ultra-short light pulses, called solitons, to switch information. Researchers are now trying to develop an optical processor based on the technology.

Call for increased technology flow

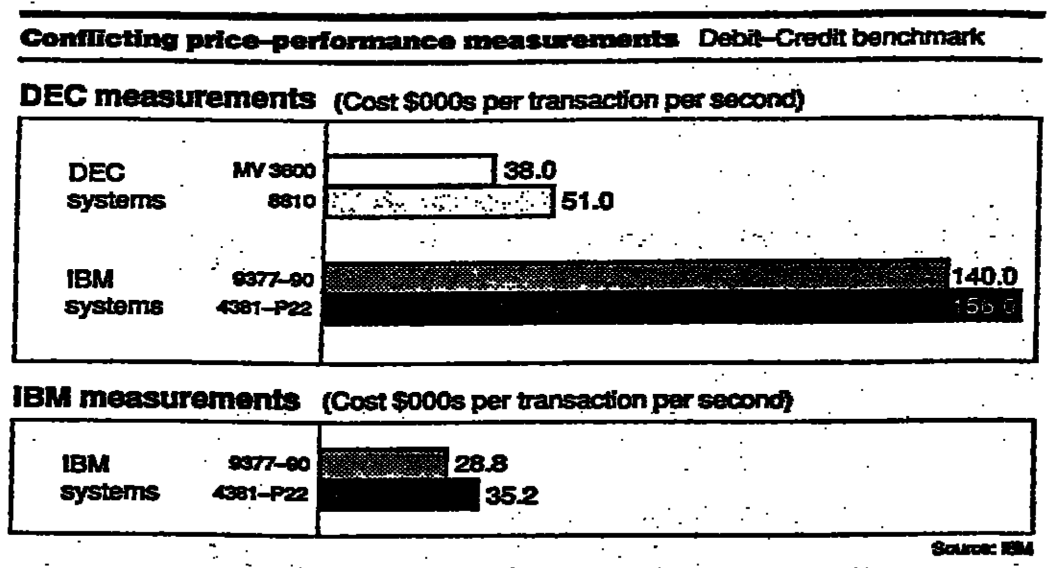
THE Indonesian Government has expressed concern over the declining trend in technology flows from developed to developing nations.

Sabana Kartasasmita, assistant minister for research and technology, who led the Indonesian delegation at a meeting of the United Nations conference on trade and development in Geneva, has urged the reversal of the trend to enable developing countries to utilise imported technology.

He also called for more non-commercial, technological co-operation grants to developing countries, including the training of industrial personnel.

In search of a system that shows value for money

Clive Cookson reports on the computer industry's not always concerted efforts to agree a benchmark for performance



When Digital Equipment Corporation (DEC) launched a new range of commercial computers last summer, it published price-performance comparisons which showed that DEC delivered three times as much processing power per dollar as the competing IBM systems. DEC said that its figures were based on a "standard benchmark" designed to compare the performance of computers doing general commercial work – what the industry calls transaction processing.

The claim stung IBM into duplicating DEC's tests using the same benchmark, known as Debit-Credit. These showed that IBM's computers were more than three times faster than DEC had said – and better value than the DEC machines.

Benchmarking disputes are common in the computer industry. Marketing managers love to quote figures showing that their machines perform more quickly than the competition. The trouble is that there is no clearly defined and generally accepted standard of comparison for transaction processing.

All manufacturers agree that the simplest and best known measure of computing speed – how many million instructions per second (Mips) the central processor can execute – bears little relation to a computer's capacity to do commercial work.

"Mips can be useful for comparing a series of computers from one manufacturer with the same architecture," says John Laskowski, manager of IBM's Performance Analysis Laboratory in Texas. "But once you start making comparisons between manufacturers, using Mips is no better than choosing cars by comparing the maximum revolutions per minute of their engines."

A computer's performance in practice depends not only on its central processor but also on the electronic subsystems responsible for such vital matters as the input and output of data and the management of memory stores.

Testing commercial computers must take account of both the nature of the workload and the capabilities of the different subsystems, so that overall performance can be compared. To achieve this, benchmarks have been developed to measure the speed with which computers carry out a representative series of transaction processing tasks.

The closest approach so far to a standard is Debit-Credit, which replicates a banking transaction. The sequence is: 1. Begin transaction. 2. Read message from terminal (100 bytes). 3. Update account file. 4. Write history file. 5. Update cashier file. 6. Update branch file. 7. Send message to terminal (200 bytes). 8. End transaction.

The benchmark works out the number of transactions carried out per second and then relates this to the capital cost of buying the system – typically hundreds of thousands of dollars – to give an overall price-performance (value for money) figure.

Debit-Credit was created in 1973 by Bank of America to evaluate bids for an automatic teller network, revived in 1985 when Datamation, a US computer magazine, published its specifications, and given notoriety in 1988 by DEC's disputed results vis à vis IBM.

IBM denies DEC's claim that Debit-Credit "has emerged as the de facto standard in the industry for measuring transaction processing." Laskowski says that, as it stands, Debit-Credit is poorly defined, confusing and inconsistent, and that direct comparisons of the resulting performance figures are usually misleading.

As if to prove the point, IBM repeated DEC's tests in its Texas laboratory in front of an independent auditor and got very different results. For example the IBM 9377-90 system was capable of five transactions per second according to DEC and 17 transactions per second according to IBM.

The industry is trying to clear up the benchmarking confusion. Late last year, all the main manufacturers of commercial computers agreed to join the newly formed Transaction-processing Performance Council (TPC). The 27 members also include some software suppliers.

"What has brought the companies together is the belief that precisely defined and officially monitored performance standards are essential to combat the enormous confusion and conflicting claims that exist in the marketplace," says Omri Serlin, the Californian computer consultant who runs the TPC.

TPC members expect to release their first two benchmarks, based on different versions of Debit-Credit, during the second half of 1989. One will use an "external driver", a computer programmed to put a system through its paces by simulating a series of terminals. The other will be "internally driven" by software within the system.

Each TPC benchmark will be defined down to the last technical detail and there will be a mechanism for validating all test results.

Although the transaction processing industry is focusing its first benchmark standardisation efforts on Debit-Credit, this is largely for historical reasons, and the TPC may go on to develop other, technically superior, performance tests. IBM has several proprietary benchmarks which John Laskowski claims have a sounder technical foundation than Debit-Credit.

The best known IBM benchmark is Ramp-C, which the company uses to compare its mid-range computers with their competitors. Ramp-C is a more elaborate test than Debit-Credit; it measures performance over a range of transaction types, from "simple" to "very complex".

Although IBM has not published the full specification of Ramp-C, that has not stopped others using the benchmark as ammunition against IBM. Unisys launched its new A series computers last October with Ramp-C figures showing that they outperformed comparably priced models in IBM's AS/400 series by about 20 per cent.

Douglas Morgan, Unisys mainframe programme manager, says that the Ramp-C specification is known in sufficient detail to make such comparisons. IBM disagrees, though Laskowski says "we're considering releasing Ramp-C as soon as we can be sure that it will be applied consistently across the board."

Even if independently certified and tightly controlled standards do emerge from the TPC, there can be no guarantee that over-enthusiastic marketing people will not abuse the figures. That has happened with Linpack, the standard benchmark for computational performance, which is administered by the US Government's Argonne National Laboratory. (Linpack measures the speed with which computers solve identical sets of linear equations. It is useful for number-crunching applications but not for commercial work.)

"I often see the manufacturers distorting the Linpack numbers they use in their advertisements, so as to promote their machines better," says Jack Dongarra, scientific director of Argonne's advanced computing research facility.

For the user, standard benchmarks can provide only general guidance. Sensible customers will evaluate competing systems in relation to their own applications.

But Wally Katz, ICL's commercial manager for mainframes, says benchmarking standards will be a sign of growing industrial maturity. "For an industry the size of the computer industry, it is surprising that there are no standards for specifying something that every customer asks about before buying the kit."

The ski pass that lifts a management problem

Two and a half thousand metres up in the French Alps is not the most likely place for an information technology system. But a network installed this season at the resort of La Clusaz, in Haute-Savoie, is one of nearly 1,000 strung across the Alps.

For the skier, the new system is based on a lift pass incorporating a magnetic stripe, which stores information about the value of the card. The pass is read by a machine which operates the turnstile.

The main aim of the system, supplied by Tecnotour, a division of Olivetti, the Italian electronics group, is to monitor the lifts so that income can be shared out according to use between the lift operators.

"Previously, each time a new lift was constructed the division of income had to be renegotiated," explains Michel Ythier, director of the lift system at La Clusaz.

"The station has 11 companies and a turnover somewhere between FFr 55m and FFr 60m (£54m) a year. All the operators thought they were being duped or robbed. The single advantage of not having to renegotiate every year was worth the FFr 5m that the network cost to install."

He adds, however, that the Tecnotour system, which includes four personal computers and 92 readers attached to the 56 lifts in the resort, has a number of other advantages. These include:

- Enabling an accurate analysis to be made of lift use to improve long-term planning. Ythier says that the golden age of skiing, when a new lift paid for itself almost immediately, is over. He explains that the Tecnotour system allows him to manage far more effectively.
- Reducing fraud. The former visual checks by lift operators in freezing conditions tended to be cursory.
- Encouraging new types of ticket to match customers' varied requirements. For example, it is possible to issue tickets in advance or for limited periods such as two hours.

Other technologies are also being used for ski information systems. Skidata, the Austrian-based subsidiary of Tornauer Holding, the Swiss company based in Zug, has developed a new system based on smart card technology carried in a wristwatch. It is being tested in Bigo di Fassa in the Italian Dolomites.

Wolfram Koczmar, a sales manager at Skidata, explains that the watch contains a microprocessor which can be read remotely, up to 50 cm away, by radio signal. As the skier passes, the reader checks that the watch is valid and then opens a turnstile. A picture of the owner can also be incorporated to guarantee the identity of the carrier.

The watch can provide general access or contain a number of points that are deducted each time a lift is used. At present the company is providing readers for both traditional magnetic stripe passes and its new system because it believes that some skiers will be unwilling to pay the extra Sch 600 (£26) for the watch.

"Eventually, the whole cost of the holiday could be contained in the watch," says Koczmar. "It could be used instead of money to pay for restaurants, sports shops and even access to hotels. The applications are endless."

At present, Europe makes up 90 per cent of the world market for electronic information systems for ski resorts. This is because the lifts in Europe, unlike their counterparts in North America and Japan, have been built piecemeal and so need information systems to divide up income.

However, not all information technology systems have proved a success for ski stations. In the Porte du Soleil circuit on the French-Swiss border, the 12 ski stations involved installed a network to help them redistribute income. But the information delivered was unpalatable for some of the lower ones because although many tourists stayed in their hotels, most wanted to ski from higher stations which tended to have better snow. Coupled with the mild winter, this has caused financial problems for some.

Paul Abrahams

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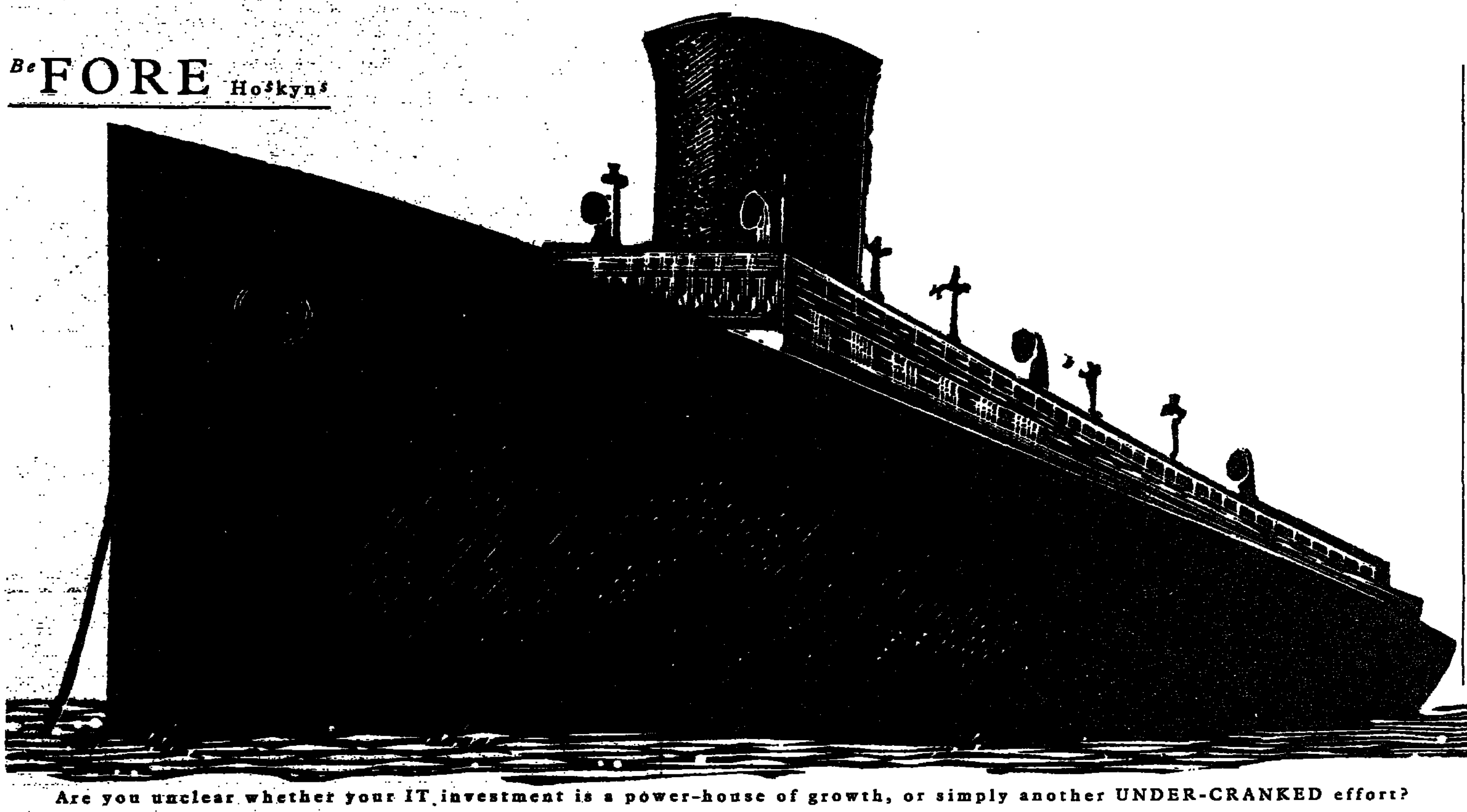

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ARTS

Hyped Sky-high, but the content is so fuddy duddy

Despite the lack of a dish, Christopher Dunkley manages to taste all four new Sky Television channels

These days television critics are generally spoiled for choice when it comes to viewing programmes. There is the preview at BAFTA: there is the public transmission: there is the VCR to record off air; and if all that fails, the producer – competition for attention in the industry now being what it is – will usually be only too delighted to "bike" a cassette to your home.

But with the start of Sky Television – the biggest opening in the history of British broadcasting which has previously seen only one channel appear at a time, never two, let alone four – none of this applied. All of a sudden the critic's chief problem was in getting a glimpse of the programmes. Never in the history of the mass media has so much hype preceded such an invisible launch.

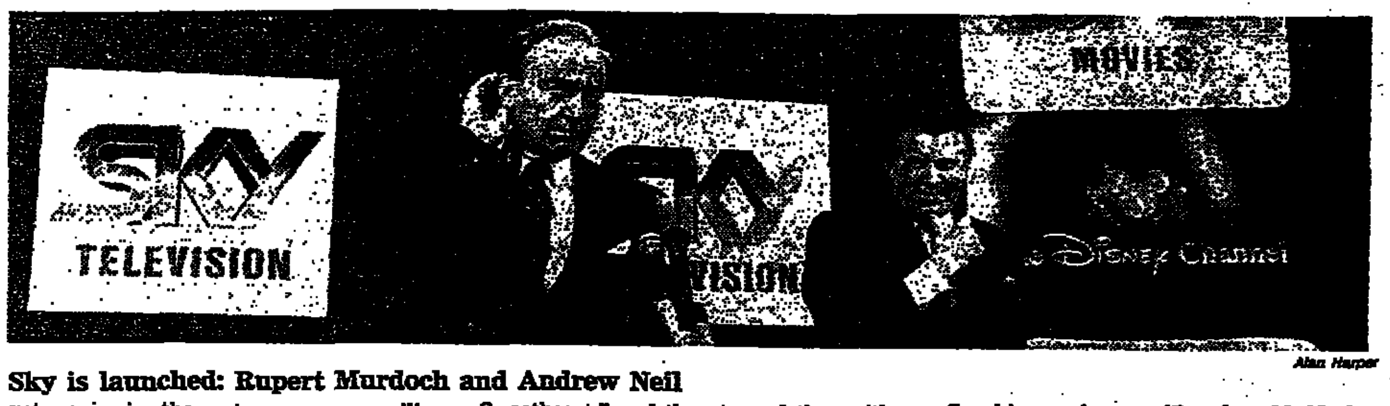
True, Sky offered to provide a free dish but the editor of the Financial Times declared that the paper must pay for its own. So members of the Dunkley family fanned out across north-west London to find the new hardware. In the high street shops they were shown cardboard cut-outs, and lists to which names could be added – sometimes for nothing, sometimes for £20 – for "priority attention" when the equipment finally arrived. Nowhere did they find an actual dish.

Hence your critic's presence on Sunday night at the Inn on the Park where all four of the new channels – Sky TV, Sky News, Sky Movies and Eurosport – were beamed onto television sets in a single room simultaneously; and hence his presence next day at a British Telecom office to continue viewing in conditions less like Babel.

And the conclusion? Well, the technology certainly appears to work: the quality of the pictures on all four channels seems to be as good as that on the existing networks. Presentation and continuity – the junctions between programmes and commercials, the transition from one programme to another – look highly proficient, which could not be said of the opening days on all networks. This is particularly striking given the astonishingly short time that Sky permitted itself for preparation and rehearsal. In this respect Sky's launch of four channels has been more impressive than Channel 4's launch of one.

Moreover, where C4 spent its opening months filling the commercial breaks with still pictures and music, Sky has begun with a remarkable range of advertisements which apparently fill up every available minute. It is no surprise to find considerable time occupied by ads for the Sun and the Sunday Times, owned by Rupert Murdoch who also, of course, owns Sky TV; nor any surprise to see ads from Amstrad, the company belonging to his colleague Mr Sugar who is now busy making dish aerials. But there have also been numerous commercials for Mazda, Fiat and Volvo; Swatch, Rolex and Citizen; Esso, Mars, Coca Cola, and many more. Whether all are paid at the full card-rate is, of course, questionable, but then cut-price (or even unpaid) ads are a commonplace in many mass media launches, whether in print, sound or vision.

Yes, yes, yes – but what of the programmes? Ah, well, judgements here must be tentative and stuffed full of qualifications: it would be no surprise to find Sky re-launching itself in a few weeks when the dishes start to be widely available, and yet again in the autumn as a spoiling tactic just before BSB starts up its 700m satellite service, which aims to be the Selfridges to Sky's Woolworths. By October Sky TV could be looking very different from its opening 48 hours when programmes were still, justifiably enough, carrying the legend "Start Up Transmission."



Alan Harper

Sky is launched: Rupert Murdoch and Andrew Neil

Having said all that, the general impression at the end of the first two days is that, unless the schedules and the entire approach are changed radically, there is not a hope that Mr Murdoch's brave claim about Sky "raising and modernising the standards of the BBC and ITV" will be fulfilled. The BBC and ITV may have some fuddy duddy ideas, but there are few duds to compare with Sky's "Undies Trend Newsletter" in the opening edition of *Wild West End* which featured a pair of scarlet knickers that sing "Let Me Call You Sweetheart," and then topped that with a musical jock strap.

As for fuddiness, there is little on BBC and ITV to compare with *As The World Turns* the American soap opera which has been running for well over 30 years and which Sky is showing every weekday. Sky is also supplying daily doses of *The Lucy Show, The Sullivans, General Hospital,* and *The Young Doctors.*

This Australian/American flavour carries over from Sky Channel into Sky News, the 24-hour service which to many British viewers may seem the most unusual and – for news junkies and, I suspect, A and B socio-economic groups – theoretically the most desirable of the four channels.

In practice, serious viewers will find (unless the mixture changes dramatically) that this is a decidedly tabloid style of news, less like today's BBC and ITV news flagships and more like the old *Nationwide.* On Monday, while Sky News had no topical footage to support its main stories about a death in the Channel Tunnel, the Russian retreat from Afghanistan and the activities at Wandsworth Prison, there was plenty of footage on the transvestite prostitutes of Paris, a two-year-old Australian water skier, Benjy the bouncy boxer (dog), and an Australian farmer who has taught a monkey to drive his tractor.

There is the movie channel, of course, which starts at 4.00pm and screens four or five films a day, ranging from such well-worn material as *The Duchess And The Dirtwater Fox* which is on tomorrow, to *The Wraith,* which was made in 1986 and is showing at 10.00 tonight. For the moment Sky Movies is a free channel, but later in the year the signal will be scrambled and viewers will have to buy a decoder in addition to the dish and converter, and then pay 12 a month for a smart card which will enable them to watch Sky Movies and also the Disney Channel.

There is Eurosport, too, which in the first couple of days has been much occupied with Davis Cup tennis (played on a horrible bright blue court); the Australia/West Indies Test Match; and skiing. Monday also brought cyclo-cross. As with news junkies, sports fanatics will presumably welcome a channel carrying sport for more than 12 hours a day. The promised Arts Channel turns out – so far – to be a small collection of programmes tacked onto Sky Channel in the early hours of the morning.

Yet again it must be said that these are very early days and things may change. But the main impression so far is that, whereas the last two television channels to open in Britain (BBC2 and Channel 4) clearly brought us new sorts of programmes, Sky, despite having four entire channels, is offering mostly quite familiar material. There is nothing strikingly original even about their own created series such as the Tony Blackburn/Jenny Hanley programme *Sky By Day*. This offers personality chat, a recipe, keep-fit with a pink goddess, and DIY tips.

If Sky has a unique selling point it is that the familiar material is being split up in different ways and offered in different packages providing a different sort of access. The question is: will people want to spend £250 or so for the convenience of a 24-hour news channel, or sport from dawn to dark? My guess is that most of them will not, and that the minority who do will wait until, at least, the launch of BSB in the autumn before deciding which system to buy.

Legs Eleven

SADLER'S WELLS

On Sunday night Dance Umbrella celebrated its eleventh birthday with a fund-raising gala. A deserving event, and cause for congratulations, of course, but also an evening to tax the good-will of even the Umbrella's most dedicated admirers by reason of excessive length and lack of discrimination in selecting the participants.

Brevity is the soul of gala success, as it often is of choreographic clarity: amid an inordinate amount of creative waffle, the improvisation by Laurie Booth was exemplary in its precision and technical resource. Mr Booth's dancing started from almost incantatory poses, and developed into curves and swirls of movement which, suddenly stilled, then poured onward in a dynamic torrent. It was vividly imagined, vividly performed.

So was Michael Popper's *O speako Tico*, a jape for his Gateway to Freedom troupe in which Philippe Giraudeau tore electrically into a fit of the DTs in front of an amused (and amusing) chorus line. William Tuckett of SWRB provided a buoyant disco exercise for himself, Petter Jacobsson and Nicholas Millington, that paid tribute to Mark Morris – no bad thing – and Graham Fletcher produced what looked like an updated version of his Bratfisch solo from *Mayerling* in an explosive variation to a pop song.

All very jolly and enjoyable. I am not sure if it is right to judge Christopher Bruce's *Swansong* for Festival Ballet, which was placed at the end of an already interminable first half to the evening. Two guards, Matz Skoog and Kevin Richmond, interrogate a prisoner, Koen Onzia: the stylistic trick is that much of the questioning is cast in the forms of popular dance, which gives a viciously genial air to the guards' brutality. Superbly danced by Mr.Onzia – fleet, pure line that writes his sufferings plain – and his colleagues, the piece is nevertheless over-extended, and on this occasion seemed to be slightly longer than the Seven Years War.

The blight on the evening was the French Connection. For years it seemed to me that the French thought *La Danse Moderne* to be a form of cretinous ballet. Latterly, with vastly increased support and interest, it has started to look like over-intellectualised mime – ever a French weakness – with an addition of rootless, fidgetty movement. The result, as seen in no less than four items, was numbing as posturing became a way of life, a way of art. Michel Kelemenis, a plainly talented dancer, performed his inexplicable tribute to Nijinsky, *Faune Fomitch*, which could equally well have been about Landru or Trotsky. The students of Transitions dance company were trapped in Claude Brumachon's lumpen activities, bodies flung pointlessly about as victims of a ship-wreck. Two dancers from Charles Cré-Ange's troupe were involved in chatter and frenetic mime, with the special Cré-Ange touch of a small female being flung about like the victim of a maddened Apache dancer. Worst of all, the lively Adventures in Motion Pictures group unveiled a *mauvais quart d'heure* by Brigitte Farges set to troubadour music. Men and women were dressed hideously alike in white pleated skirts, white tops, vestigial tights and clumping red boots – they looked like Lesbos United football team – and trudged, fell, played follow-my-leader, and interminably gestured. I can see no hope for performers involved in such behaviour. Dance Umbrella should use its gala funds to invite a major American post-modern creator to help our small and aspirant companies. Or join an organisation opposed to the Channel Tunnel.

Clement Crisp

Les Parents Terribles

ORANGE TREE, RICHMOND

Richmond's Orange Tree theatre begins a three-play season of French work with a centenary tribute to Jean Cocteau. Banned when it was first staged in Paris in 1938, *Les Parents Terribles* mirrors the incestuous theme of his more famous novel *Les Enfants Terribles*, in a portrait of a family locked in the fetid embrace of a series of flagrantly inbred relationships.

Yvonne (Elizabeth Shepherd) is a slovenly diabetic who has long ignored her husband to concentrate on adoring her only son. With the family in what, with cosy irony they style "the caravan", is Yvonne's cousin Leo (Caroline Blakiston), a skinny spinster whose role as custodian of order in a chaotic ménage conceals an unrequited passion for her cousin's husband.

The play is set, but for one excursion, in the parental bedroom, a place of gaudy silk hangings and ethnic scatter cushion, in which Yvonne holds court, her bright embroidered dressing gown unbelted over Janet Reger undies. At its centre is the huge matrimonial bed, symbolic centre of the family life, where Yvonne and her 22-year-old son exchange stories and confidences – and to which she retreats in a tantrum of sexual jealousy when he returns after a night away to announce his intention to marry a girl he met at a typing class. With an almost absurd inevitability it emerges that the girl is also his father's mistress. Cocteau's appraisal of a mother-son relationship that has got disastrously out of hand smacks of casebook Freudianism 50 years on.

The modern costuming and indeterminate setting is a crucial mistake in Derek Goldby's beautifully acted production – underlining the datedness of the psychology without establishing a coherent contemporary idiom for the intriguing class context of Cocteau's domestic melodrama.

The family is described by Leo as the wreck of the bourgeoisie, too poor to have servants, too decadent to have a sense of order. Leo and Yvonne's grandfather counted the semi-colons in Victor Hugo, while the grandfather of the young Madeleine – who, like Leo, is ordered and adult – was a bookbinder.

One could imagine a modern interpretation extending to a straight-talking northern Madeleine, in a different emotional and intellectual orbit to the effete self-indulgence of her lover's family, but Sally Cookson presents a contemporary working girl, classless and conscience-free whose submission to being kept by an older man seems inexplicable, as does her subsequent submission to his blackmail.

Likewise, one could imagine an Yvonne reeking patchouli and surrounded by joss sticks, but Elizabeth Shepherd's portrayal is of a blown beauty, compelling in her childish selfishness, terrifying in her almost accidental revenge, but devoid of context beyond her relationship with Samuel West's pale, impassioned Michael. It is a mark of the strength of the cast that the characters teeter at the brink of absurdity without every quite succumbing to it.

Roland Curram is memorably controlled as the spurned, deperate husband, as is Caroline Blakiston as the scrawny, unfulfilled commentator on – and mopper-upper of – an emotional mess in which she has forgotten to declare an interest.

Claire Armitstead

Wissam Boustany

WIGMORE HALL

Not many flautists would fill the Wigmore Hall, and it is a measure of Wissam Boustany's burgeoning reputation that he managed to do so for his recital on Monday with Piers Lane. The reasons for his popularity are straightforward: his platform manner, and style of playing, are direct and keen to communicate; his tone is big and well projected; his idea of expressivity conceived on a generous scale.

Both Copland's 1971 Duo and the wan little Serenade of 1946 by Howard Hanson showed his fondness for amply moulded phrasing and a certain gift for rhetorical point making, as well as a tendency to measured tempi that show those characteristics to best advantage. It was only one side of the pieces, though, and after short exposure to such unremitting fulsomeness one longed for a cooler elegance.

By the time Boustany reached Prokofiev's D major Sonata his approach to perhaps the most substantial of all flute-and-piano works could be predicted with fair accuracy, and the likely shortcomings pinpointed: lashings of luscious expressivo in the first and slow movements, but little tonal variation and even less sense of dramatic shape; deft technique in the scherzo and finale but little excitement. When so much is right in his approach the shortcomings seem all the more unfortunate. Piers Lane proved to be an adroit accompanist, and in his own right produced the best performance of the evening – a compelling account of Skryabin's Fifth Piano Sonata.

Andrew Clements

Bluebeard at the Met

Whoever succeeds Bruce Crawford as General Manager of the Metropolitan Opera – no names have been coming forward – will arrive at a critical moment. The season has not gone well. Of the new productions, only *Götterdämmerung* holds some promise. The *Aida* was generally deplored. So was the restaging of the ENO *Giulio Cesare.* The latest production is reviewed below.

It's not altogether the Met's fault. They have an impossible task: getting on seven grand operas a week, for 33 weeks, in an age when good singers no longer settle in New York for the season. Casts seem to change, usually not for the better, with every performance. Before the war, Covent Garden played in the summer, and then Caruso, Rethberg, and co. took the boat to New York for the season here. Now, there's competition not only from London. Miami and Houston and Dallas and Los Angeles and many other cities which once relied on Met tours for their opera now have their own local companies; playing brief seasons but competing for the good singers and offering high fees. European houses that once had stable resident companies – Paris, Hamburg, Munich, Vienna – go star-seeking too, and pay higher fees than the Met does.

That's one part of it. Another is that the Metropolitan Opera House itself is a gilded monster, seating 3,800, in which, despite the surprisingly good acoustics, few singers can be really telling. On the other hand, the public comes. The SOLD OUT sign is affixed to placard after placard. One looks at the casts displayed and wonders why! Whoever succeeds Crawford must wonder whether to go on in the present way and face a critical barrage but somehow fill the house with a happy, undiscriminating public (I've just been listening to a deplorable *Trovatore* cheered to the rafters), or whether somehow to try to make the Met a place of serious artistic endeavour.

All Covent Garden's difficulties are here magnified: by the sheer size of the house; by the need to shovel on seven performances a week, willy-nilly; by the dependence on "private" donations. One sympathises, but grows impatient when third-rate things happen that cost as much as first-rate things might have done.

The latest Met production is a double bill of Bartók's *Bluebeard's Castle* and Schoenberg's *Erwartung,* with Jessye Norman as their heroine and Samuel Ramey as Bluebeard. Originally it was to have been produced by Peter Sellars, on a triple bill completed by Debussy's *The Martyrdom of St. Sebastian.* Then Sellars wanted to substitute Dallapiccola's *Il prigioniero* for *Bluebeard*; Miss Norman and Mr Ramey were reluctant. Sellars (whose work has not yet been seen on Manhattan) and the Met parted ways; *Sebastian* was dropped; and Göran Järvefelt was engaged to produce, with Hans Schavernoch (set) and Lore Haas (costumes) – who designed Götz Friedrich's 1985 Vienna production of the same bill – as designers.

The two operas were played in the same set: a large post-Modern-looking room panel led with polished marble, its back wall able to pivot and swivel. Judith and Bluebeard were onstage, posed, at the start – for all that Bartók marked the moment of their entrance into the gloomy hall – black silhouettes against dazzling whiteness without – by the first *forte* in his score, and paced Bluebeard's resolute and Judith's reluctant advance by his music. I've never known the visions disclosed by each door's opening so ineffectively achieved – not even in the simplest productions, such as the British première, given in 1957 by South African students in the little Rudolf Steiner Hall.

For the armoury, the nose of the Concorde poked out; for the Schatzkammer, a laden dessert cart was pushed on; for the Lake of Tears, a drain opened. The former wives were Rhinemaidens in that lake, naked except for ankle-length hair – like the Donatello Magdalen – and high-heeled shoes. Bluebeard, with unsubtle "symbolism," enacted a striptease, starting with his dark glasses and ending with his curly mane of a wig.

Erwartung played in the same set. Judith came back through the seventh door to sing it. The hall had acquired some furniture: a piano, benches, props to give a prima donna "something to do": candles to blow out, flowers to take from their vases and scatter, cards to deal and then let flutter to the ground. Schoenberg insisted on a "real" forest. I'm not insisting on rigid adherence to his and Bartok's stage directions – "landscapes of the mind" are terrains more familiar today than they were in 1909 and 1911 – but only deploring the feebleness and conventionality that marked these particular productions.

Miss Norman and Mr. Ramey are both splendid singers who need a producer to spur them to stage life. The prospect of them and Sellars in combination was exciting. Here, they were just two opera singers. James Levine drew rich playing from the excellent orchestra, but the operas moved slowly and sometimes noisily.

For the rest, I report briefly on a relentlessly diatonic, barely competent "operatization" of Eugene O'Neill's *Desire under the Elms,* by Edward Thomas, given three performances in the City Center. The opera has been in the works since 1972, "developed" through a slew of workshop try-outs supported by various foundations and organizations. And, in the same excellent theatre, a New Sadler's Wells Opera run of *H.M.S. Pinafore.* It was a pretty coarse production (Christopher Renshaw) in pretty coarse scenery (Tim Goodchild) but was executed with polish and verve by a cast of British Mozartians.

Andrew Porter

ARTS GUIDE — February 3-9

THEATRE

London

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stone-walling and no-dealing tricks (930 2578, cc 839 1438).

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year. Feb 8-11, 24, 25, 27, March 9-15, March 25, 27 (928 2252, cc 240 7200).

The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Feb 13-16, March 1-4.

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. (379 6107, cc 741 9999).

Hedda Gabler (Olivier). Juliet Stevenson is energetically wilful in fine National revival using a new Christopher Hampton translation. Howard Davies directs, Norman Rodway is Judge Brack. Feb 16-21, then no perfs till late March (928 2252).

The Sneeze (Aldwych). Eight short Chekhov pieces – four vaudevilles, four early stories – translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, cc 379 6233).

Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379 4444).

Orpheus Descending (Haymarket). Triumphant debut for the Peter Hall Company with Vanessa Redgrave candescently sensual and Italianate in atmospheric restoration of Tennessee Williams's last indisputably major play (930 9832).

Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Rotterdam

Evita (Doelen). Original Broadway production with Florence Lacey. (Mon, Wed, Thur). (413 2490).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Marcel Marceau (City Center). Month-long performances by the legendary French mime mark his first appearance in New York in six years. Ends Feb 26 (581 7907).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

The Piano Lesson (Goodman). Prolific August Wilson continues his exploration of the American black in history with a play, set in 1936, about a family's arguments set round an elaborately carved heirloom piano. Ends Feb 11 (443 3800).

Tokyo

Kabuki. Kabuki-za (541 3131). The matinee performance at 11.30am features four works, including a recent showpiece, *Genji Monogatari,* a tale of the Genji clan. The final play in the evening performance at 4pm is *Megumi no Kenka (The Fight with the M Brigade),* which features a spectacular and amusing fight between firemen and sumo wrestlers and stars Onoe Kikugoro VII, for whose great-grandfather the play was written. Tickets are available for a single act and the theatre provides informative English-language programmes and earphone commentary.

Mozart and Strauss

QUEEN ELIZABETH HALL

There has been some sceptical comment about this month's BBC Symphony series which yokes Richard Strauss and Mozart. A keen Mozartean Strauss certainly was, but does music by one of them really illuminate music by the other? On Saturday, with John Pritchard conducting the BBC Singers, woodwinds and horns, the question seemed beside the point: when both composers are writing to give uncomplicated pleasure, they go together as well as could be.

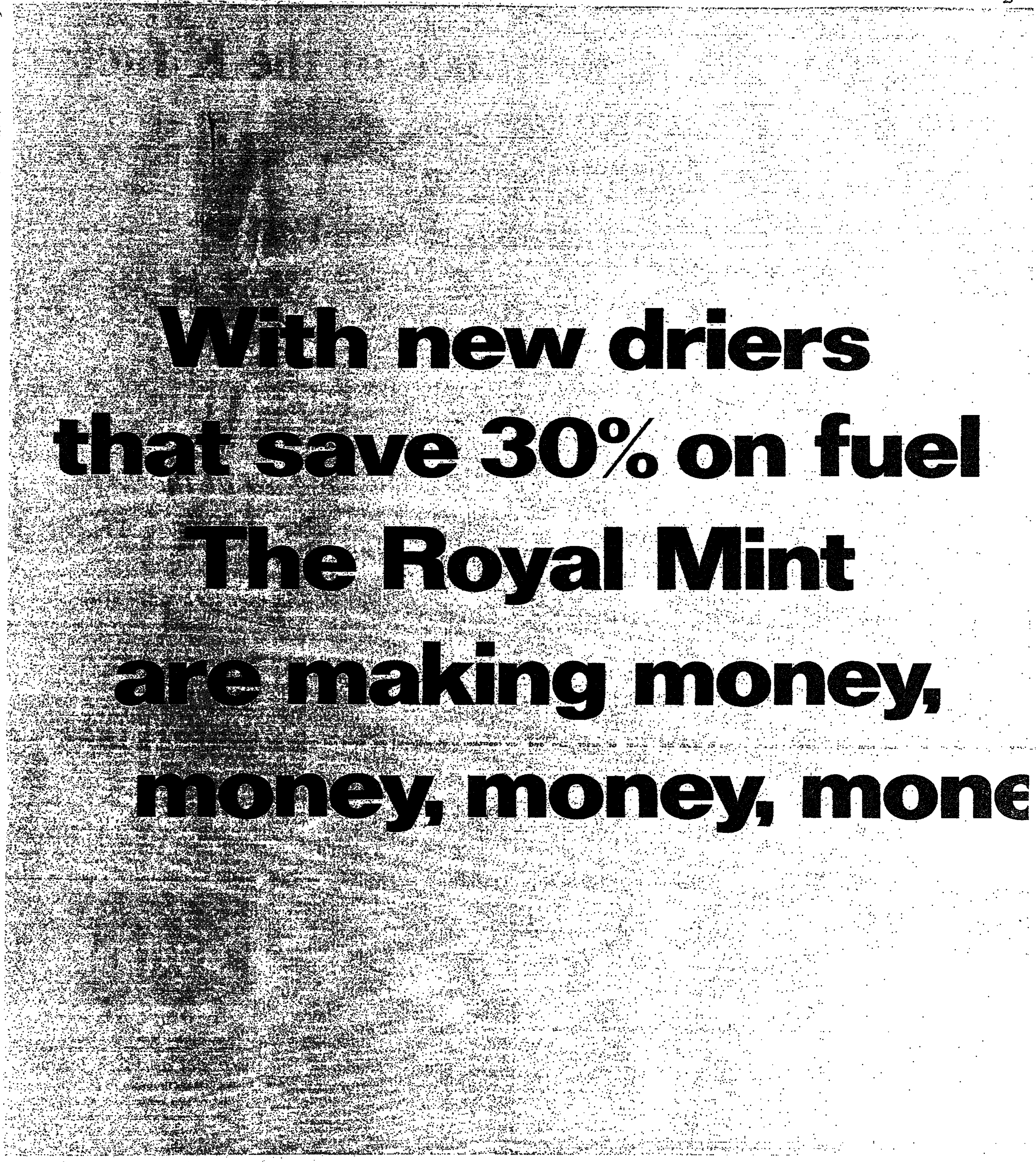
I have heard one or two more "exquisite" performances of Mozart's imperishable B-flat Serenade, K. 361, but none more good-humoured and inspiriting. Pritchard managed to pretend that it was all the players' work, with himself only there to appreciate them, but that can hardly have been true. It must be said, however – without meaning to be invidious – that the eloquent line spun throughout by Colin Bradbury's lead clarinet was a special glory.

There were no self-conscious pianissimi from the band; in the sociable settings for which Mozart's wind pieces were destined, such finesses would have gone unheard. Excellent tempi, beautiful wind-chording, sprightly attack: unmitigated pleasure. Old Strauss's Sonatina no. 1 ("From an Invalid's Workshop") is far more loosely strung and garrulous, but disarmingly fluent, and here it bubbled away without detectible effort – except, occasionally, from the over-taxed horns.

The rarer attractions of the concert were two big *a cappella* choral pieces by Strauss, *Die Göttin im Putzzimmer* and *An den Baum Daphne*, Strauss's 1943 setting of the finale originally conceived for his opera *Daphne.* The hazards of the highly chromatic double-choir writing in each – with an added part for children's chorus in the latter – were negotiated superbly by the BBC Singers and the Finchley Children's Music Group, who supplied a sweetly confident solo treble too.

"Goddess in the Boudoir," after Rückert is tricky and charming; the *Daphne* epilogue is richly ramified and visionary, and in Pritchard's delicate handling it glowed. The elaborate filigree of voices was kept astonishingly light and clear, and there was a stirring surge near the end, before the music floated away at last on mutually echoing treble and solo soprano phrases from Daphne's own haunting, wordless valediction in the opera.

David Murray



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Wednesday February 8 1989

Nigeria needs the IMF

THE GOOD NEWS is that Nigeria has reached agreement with the International Monetary Fund on terms for a $620m 15-month stand-by loan. The bad news is that a key undertaking in the agreement is already under strain, if not broken. President Ibrahim Babangida's commitment in his New Year budget address to introduce a market rate for the naira has, five weeks later, not been fulfilled. Much is at stake.

The fund's imprimatur is essential to the structural adjustment programme which the Government has been pursuing since mid-1986. It is a precondition to the continued rescheduling of Nigeria's $30bn external debt, to the resumption of new export cover and to some $1.1bn in balance of payments support offered by Britain, Japan, and other governments and agencies, including the World Bank.

Loss of nerve

In his New Year address, drawn up in close consultation with the IMF, the President announced a major change in the country's two-tier system. The value of the naira was determined at one level by the bids from the commercial banks for foreign currency auctioned by the Central Bank of Nigeria. The second level reflected bidding for so-called autonomous funds – proceeds from non-oil earnings or remittances from Nigerians living abroad. The two rates would be merged, said the President, leaving the naira to find its market value. The initial impact was a 20 per cent devaluation, but since then Central Bank intervention has maintained the currency at a higher rate than that notionally determined by the market.

What appears to be a loss of government nerve goes back at least a year. In the 1988 budget – which officials now acknowledge to have been a serious mistake – government borrowing was allowed to rise, and ceilings on commercial bank lending were relaxed in a premature effort to reflate the economy and ease the pain of structural adjustment.

The first result was that an earlier agreement with the IMF was not renewed and external funding of the adjustment programme dried up. The second was that inflation rose and pressure on the naira increased. Although the authorities moved to curb money supply in mid-1988, their restrictions are being circumvented by the commercial banks. Inflation is now running at an annual rate of over 50 per cent. The US dollar is worth around 10 naira on the black market, compared to an official rate of a little over seven.

President's dilemma

President Babangida is now in a dilemma. The naira is set to fall further until new funds from donors and lending agencies, and relief from debt servicing commitments, provide a safety net. But unless the Government bites the exchange rate bullet – a move which will not be popular domestically – those resources will not be forthcoming.

The one possible way out is fraught with risk. The Government has so far refused to draw on IMF facilities following a singularly ill-informed national debate some two years ago which showed that popular sentiment was overwhelmingly against borrowing from the fund.

Yet there are now compelling reasons for the Nigerian Government to reassess its refusal. The quick-disbursing nature of an IMF loan will offer some respite to the naira. This would make implementation of the very measure the fund insists on – a market determined exchange rate – easier to fulfil. The close scrutiny of the fund should help set at rest fears that the money will be misused.

Uncomfortable as this course may be for the Government, the alternative is worse. Much has been achieved under the adjustment programme. The industrial sector is operating more efficiently. There is a revival of agricultural exports. A privatisation exercise is getting under way. Western institutions have been playing a supportive role, which has led to the rescheduling of Paris Club and London Club debt.

These achievements are at risk, however, if the terms of the new agreement with the fund are not met. It is time for President Babangida to reconsider his refusal to borrow from the IMF.

Weaknesses in pension schemes

IS IT POSSIBLE to reconcile the conflicting interests of employers and scheme members within the framework of the conventional final salary occupational pension scheme? It has to be said that last week's report by the UK Occupational Pensions Board, although valuable in certain respects, is far too ready to embrace unsatisfactory compromises.

The bogey is that enforcement of comprehensive rights for scheme members would threaten to prove so expensive for companies that they would close their funds down.

This is a threat which may worry the pensions industry more than the Government, which has already moved significantly in the direction of encouraging people to provide for their own pensions rather than rely on paternalistic corporate schemes. Already occupational pension schemes have passed their historical peak in the UK, but they remain highly important. They cover 10.6m employees out of 22.1m, according to official 1987 estimates, and within the private sector their penetration is some 37 per cent.

Individual scheme members face a number of routine hazards, usually relating to the failure of most private sector schemes to provide full protection against inflation. Pensions in payment and deferred pensions of job changers, are usually upgraded only on a limited and *ex gratia* basis, allowing expectations to be shattered should schemes be closed or new management take over. Unlike many public sector employers, companies have not been willing to accept the cost of turning expectations into rights, even though the index-linked investments which could underpin those rights now exist in substantial quantities.

The OPB's compromise suggestion is that schemes should be required to protect preserved pensions and pensions in payment by increasing them in step with inflation up to a limit of 5 per cent a year. But is it wise to enshrine inflation as a loophole in the system? Inevitably there has to be an escape clause, because this generation cannot guarantee itself a particular level of pensions to be paid by future generations. Given the demographic trends over the next few decades, in which fewer workers will be supporting more pensioners, it is possible to foresee crises which would weaken pension funds. But it would be better to grasp the nettle, and give trustees the right to approve the reduction of benefits in defined circumstances, than to leave scheme members exposed to a general inflation risk.

Why have pension scheme members not been better protected by their trustees in the past? The OPB has decided that pension schemes can satisfactorily continue to operate under existing trust law. But the board is concerned that nothing has been done to deal with the reservations it expressed in an earlier report in 1982, when the legal position of pension schemes was found to be "confused and unsatisfactory," with trustees in a potentially muddled role in relation to employers on the one hand and scheme members on the other.

Trustees are required by law to act in the best interests of beneficiaries and impartially between different categories of beneficiaries. But final salary schemes have become notoriously discriminatory in their treatment of different groups within the membership, to the extent that the Government has already stepped in with overriding legislation to protect job changers and may do so again following the latest OPB report, this time possibly extending the protection to pensions in payment.

Is there something inadequate about trust law, or is it simply that aggrieved beneficiaries have not in practice been in a position to seek the protection of the courts? It may be that the new Pensions Tribunal proposed by the OPB would help, but only if it were able to consider broad questions of structural equity within a scheme rather than only narrow individual grievances.

The OPB has been as progressive as it dares in the context of the existing occupational pensions movement. But the remaining gaps in protection leave room for debate about a more radical approach.

Richard Evans examines the difficulties building up over water privatisation

The importance of the K factor

There is a curious contrast between the placid flow of the Water Bill through parliament and the eddies of privatisation just below the surface which are worrying the industry and beginning to disturb the composure of ministers.

In the House of Commons all is on schedule. The "guillotine," or timetable motion restricting debate on the line-by-line committee stage, is safely through. In the committee stage itself, the debates are low-key, with the Opposition probing ministers on the future structure of the industry and getting a stonewall response. The bill should be into the Lords well before Easter and on to the statute book by the end of July to allow flotation of all 10 water authorities in November.

There is always the Lords, of course. There are a number of knowledgeable landowners, industrialists and environmentalists on the Tory side of the upper house who have substantial doubts about the legislation, but the assumption must be that the bill will go through on schedule.

The contrast, however, is between these smoothly flowing parliamentary currents and the behind-the-scenes frustration, anger and, at times, despair of industry leaders as they seek to negotiate a successful launch into the private sector.

Many difficulties remain unresolved, and their number and scale appears to be increasing. "It is building up into an unholy muddle that is showing no signs of being resolved," says the chairman of one water authority.

First, the Government has got itself into a quandary over water charges. The problem applies both to the soon-to-be-privatised water authorities and to the 29 statutory water companies which are already in the private sector. They will be just as affected because of the new regulatory regime the bill imposes.

The dilemma is whether the industry should pay for the huge capital investment it requires through borrowing or through higher charges;

'Every device the Government puts in to protect the consumer seems to cost him more'

and whether it should do so before or after privatisation.

Industry leaders complain, with some justification, of the dreadful water investment record of past governments, Labour as well as Conservative. This began to improve four years ago, partly under pressure from the European Commission in Brussels and partly because of the changing environmental climate, but there is much ground to make up.

Mr Nicholas Ridley, Secretary of State for the Environment, and Mr Michael Howard, the Minister in charge of the water industry, have restricted the water authorities to an average increase of 9.8 per cent for the year from April 1 1989, ranging from 13.1 per cent for Yorkshire and South West Water to 7 per cent for Thames.

In many cases this is far below the capital investment finance directors believe they need. They have given warning that the Government's tactic merely throws the onus for sorting out the industry's environmental problems on to the authorities' privately owned successors.

But if ministers allowed the increases demanded – 25 per cent and more – there would be a political outcry. The Government would be accused of fattening up the industry for privatisation, for the benefit of shareholders and to the detriment of customers.

In the short term, the statutory water companies are presenting Mr Howard with an even more embarrassing problem. To his fury, they have pitched in with increases of from 30 to 50 per cent from April 1. As they are already in the private sector there is little he can do except cajole.

The companies supply a quarter of all households with water, but have no sewage functions; they operate under a strictly regulated system of profits control. They say the increase in charges is vital because of the higher costs the new regulatory system will bring and because they need to get on to the same financial footing as the authorities before a common regime is introduced. They have a case – but it is not an easy one to get across to the customer.

The conflicts over charges have been caused largely by the scale of the investment needed by the industry. The sums involved are formidable and are getting bigger as the European Community makes its requirements more stringent.

Mr Ridley has estimated that an increase in charges of up to 12.5 per cent in real terms by the end of the century will pay for the necessary improvements. The industry says this is hopelessly unrealistic, as there are still no firm decisions on what standards should be applied and when.

The UK Government is fighting an increasingly desperate battle in Brussels to postpone the full implementation of some of the directives, but the news yesterday was that the Commission is set to insist on full compliance by all member states. This makes the UK industry's difficulties even more acute.

The directives cover bathing waters off Britain's beaches, sewage treatment works and drinking water quality. The drinking water directive was introduced in 1985 and is causing the UK the greatest headaches. Some people fear that the industry might never be able to meet the standards, because of a change in the rules in 1987 which means that all samples must conform, not just an average.

It is widely accepted that many sewage treatment works cannot possibly meet EC standards by the compliance date of 1992 and the Government is seeking to relax the rules for an interim period while further improvements are made.

The Opposition believes there could also be problems with Brussels over the "golden share" and tougher takeover code announced by the Government last month. The aim is to protect the privatised authorities and the larger statutory companies from unwelcome takeovers by domestic and foreign predators. French stakes acquired in around half the water companies prior to privatisation have infuriated the water authorities, who have been powerless to intervene as the potentially profitable companies have been bought.

The stricter EC regulations would have had to be met, and the necessary investments made, whether there was privatisation or not. Deciding how to pay for these, however, is made far more difficult by the need to spell everything out before privatisation.

Failure to comply with EC regulations will lay a water supplier open to prosecution and potentially to big fines. No investor is likely to put money into a company unless all the risks are made clear, and this will have to be done in the autumn prospectuses.

"You simply cannot float companies that are breaking the law every day, so there will have to be a temporary relaxation of constraints whatever Brussels says, backed by plans for fulfilling all legal obligations," an industry negotiator says.

All the authorities (and the companies, which will have the opportunity with privatisation of also becoming full public limited companies) have had to submit detailed assessments of their capital requirements over the next 10 years. These will be used to set price controls.

The Government is proposing to cap prices after privatisation through a formula similar to that used for British Gas and British Telecom: the rate of inflation plus or minus a factor of K. The apparently simple formula hides hideously complex negotiations involving judgments of investment needs, required rates of return, the costs of running the new National Rivers Authority, and a negative element to encourage efficiency gains.

Negotiations to fix K are continuing, and even the broad fundamentals will not be known until the end of the month. Each of the authorities and the statutory companies will have a separate K figure and each could be different for the 10 years of the initial licence, although there will be the possibility of revision after five years.

Each water concern's estimates will be subject to independent audit before they are used to set K, but this has not stopped managements from "gold plating" their investment plans to extract as much as possible from charges.

"Every device the Government puts in to protect the consumer seems to cost him more," says a water company director. "Our immediate reaction to anything is how it is going to impact on profits and dividends. So we put up capital spending plans as much as we can to ensure they are included in K." Capital spending plans for water companies are understood to be three times their previous level.

The negotiations are throwing up a number of additional difficulties that have yet to be solved. One is contained in the proposed guarantee standards scheme designed to protect consumers. This imposes penalties of £5 a day on companies if they fail to provide a water supply.

No penalty would be incurred if an incident was outside the control of the supplier, but crucially, the exclusions do not include strike action. Industry leaders are convinced that the City would not find the companies attractive under such circumstances, as the average domestic water bill of £50 would disappear in penalties after a strike of only 10 days. Mr Howard is still considering whether to amend the clause.

Virtually all the details of the flotation itself, and the relative financial position of the authorities after balance sheets are restructured, remain to be decided. There has also been no decision on whether to sell all the industry at one go, gaining £5bn to £7bn for the Treasury, or to retain 49 per cent until a later date.

There is certain to be a substantial write-off of debt, which totals over £5bn. Some of the more prosperous authorities like Thames, which will be free of net debt by the end of the current financial year, will probably have debt loaded on.

But most authorities and many companies have substantial debt burdens because of the need to replace Victorian sewers, to clean up beaches and to improve water quality. North West Water, for example, has an effective gearing of 75 per cent on net assets of nearly £1.3bn and will have to spend £5bn over the next 25 years to bring its system up to standard.

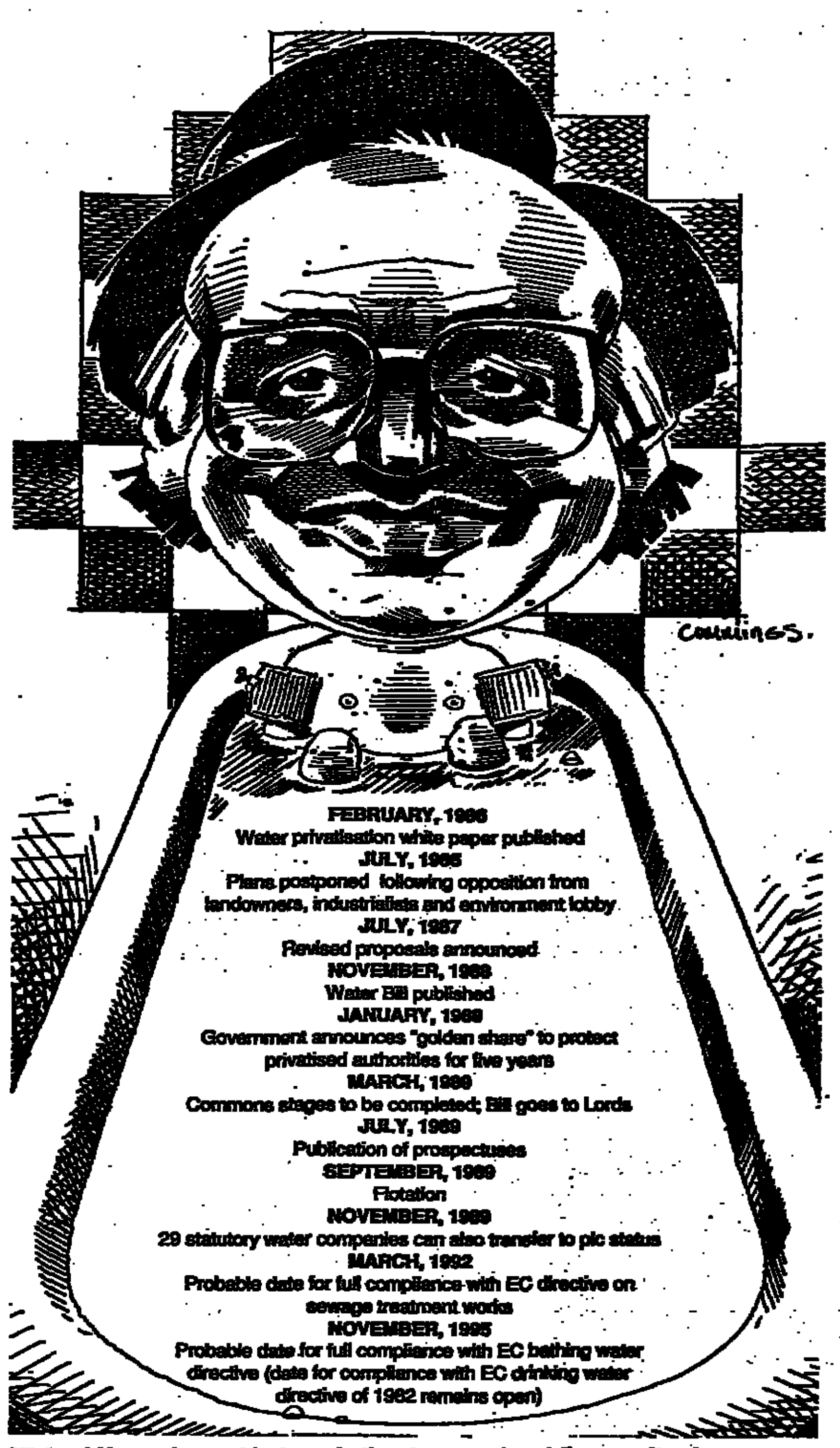
The problem facing the Government's financial advisers is how to make all 10 authorities as equally attractive to investors as possible on flotation, even though they vary greatly in efficiency, profitability and the problems they have to solve. Once the negotiations are completed, it could be the authorities with the greatest environmental problems that become the most attractive to the City, as they will have the highest K factor.

However, it is only when all the negotiations are complete in the summer that a clear picture will emerge of the attractions or drawbacks of the authorities as investments.

After flotation a number of critical decisions will still need to be taken, including how the newly privatised companies are to charge their domestic customers. At present, the industry's charges are calculated on the same basis as the domestic rates levied by local authorities on households. But rates are to be replaced by the community charge, or poll tax, in April next year.

Water charges can continue to be based on rates up to the turn of the century, but most of the industry eventually wants customers to pay for what they consume. This means the introduction of metering – for which the customer will ultimately have to pay.

Water has traditionally been a cheap, and probably greatly undervalued commodity, but circumstances are changing, and not just because of privatisation. The industry lurches in mood between apprehension and excitement.



Michael Howard: considering whether to amend a strike penalty clause

OBSERVER

Young man in a hurry

■ The Bruges Group, which is being formally launched at the Reform Club today to promote discussion about Europe, is led by a 20-year-old undergraduate called Patrick Robertson, a man who clearly intends to go far.

Robertson is taking a year off from reading modern history at Keble College, Oxford to get the group established in London, and perhaps also on the Continent. The Group takes its name from a famous speech by Margaret Thatcher on September 20 last year, but Robertson says that he was working on the idea even before then.

He had a job last summer as a temporary research assistant to John Bowis, the Tory MP for Battersea, and was asked to prepare a briefing for a speech that Bowis was making to businessmen interested in Europe. Since then he has scarcely looked back.

Returning to Oxford, he approached Norman Stone, Professor of Modern History, who was encouraging and put him in touch with Patrick Minford at Liverpool. Robertson says that he had never heard of Minford before, but found that he shared his economic views. Another early helper was Professor David Regan at Nottingham who, according to Robertson, takes a fairly nationalist view of British history.

A coup was bringing in Lord Harris of Highcross, the man long-associated with the Institute of Economic Affairs, who was an economic Thatcherite before the Prime Minister. "I think that he has one of the most brilliant minds ever," says Robertson. "We see eye to eye on practically everything," though the IEA will not be officially linked with the Bruges Group.

The group has already started in Oxford. Robertson had a telephone installed in his rooms and now has a secretary. The acting Warden at Keble was more than sympathetic about giving him a year off.

What happens next depends to some extent on financial backing. "I am ambitious," Robertson said yesterday. "I would like to have £100,000 tucked away, though £30,000 would be a start."

The group will commission research on all aspects of European affairs. Robertson gave terrorism as an example because of its links with open frontiers. It will hold seminars around the Continent and try to bring the French and Germans into the debate about the Europe of the 1990s.

"We are not anti-European," says Robertson convincingly. But the group seems likely to take a distinctly Thatcherite view of the future of the Community. One of the questions it will be asking is: "Why is there so much EC emphasis on uniformity, and therefore centralised regulation from Brussels?"

Red alert

■ The Courtaulds Group headquarters in Hanover Square near Oxford Circus has a new security device. All sensitive, secret or confidential papers are printed on red paper, so that photocopying produces unreadable black pages.

While this means that the classified stuff can only be read by people who are sent a pukka copy personally, there is a problem. "The red pages stand out quite clearly among white ones," one executive confessed. "It makes it a lot easier for anyone who wants to pop in to someone's office and pinch them, even for just a quick read."

Perhaps the answer is to switch to red paper for everything.

"Just when we were keeping our head above . . . er . . ."

No contest

■ The Libyan football team appears to be forfeiting any chance of appearing in the World Cup in favour of Arab unity. A qualifying match due to be played between Libya and Algeria last month was called off at the last minute by the Libyan authorities.

The Libyan Football Federation said that the two teams are, in fact, one in view of the intention to form a union between the two countries, and that therefore there is no conventional competition between them. All Maghreb brothers were on the same side.

Algiers radio gave a different account and reported that the match had been postponed because the ground was too close to the alleged Rabta chemical weapons plant. The decision also failed to reach all the Libyan supporters in time. Some of them turned up for the game and, according to Middle East International, there were clashes between the police, using tear gas, and disappointed fans. A referendum on the projected act of union continues to be delayed.

Foggitt's fame

■ Bill Foggitt, the Thirsk weatherman, refuses to cast a clout in spite of the mild spring weather we are having.

All the evidence suggests that snow is on the way, he says. "There is a terrific freeze-up in Alaska and down the Atlantic coast of America, and very often a little later on we get the snow that they have been getting."

He has also noticed that the spring flowers such as the buttercup and the celandine, which were opening only two weeks ago, have been checked. Even his flourishing winter flowering jasmine has stopped for a breather. Foggitt said: "I think the flowers know something we don't, although I don't know how."

Thirdly, he points to Alexander Buchan's winter cold spell. The 19th century meteorologist noticed from his records that there was a seasonal predominance of colder temperatures between February 9 and 16.

The unseasonal weather has created an unprecedented media demand for the 75-year-old Foggitt's services, so much so, he has been thinking of copying Alf White, the local vet, better known as James Herriot, who sometimes wears dark glasses to remain incognito.

"The local council wanted to put up a sign saying three miles to Herriot's town and someone suggested they should call it Foggitt's town instead. I'm beginning to realise how Edwina Currie feels," he said.

Besetzt

■ "West Berlin: the busy city" is the title of a talk advertised at a Norfolk club. Someone has written underneath: "East Berlin is just occupied."

US corporate debt

A little extra leverage is no cause for alarm

By Franco Modigliani and James Poterba

The view that the American economy is on a borrowing binge is common both in the US and abroad. Underscored in recent months by a spate of leveraged buyouts for large and highly visible US firms, rising corporate debt burdens have become a source of increasing concern. Net equity issues by US firms have been negative in each of the last five years, while the flow of corporate borrowing has reached record heights.

Clearly these developments deserve close scrutiny. One reason is to assess whether, and to what extent, the recent trends are likely to adversely affect the performance of the economic system, perhaps to the danger point. A second and more important reason is to establish the degree of leverage and what should be the thrust of policy in this area.

In answering the first question, one needs to distinguish between effects on individual firms and effects on the economy at large ("externalities"). With respect to the effects on firms there has been extensive debate, with some holding that high leverage reduces efficiency and others that it improves it.

The main argument in favour of leverage is that, when a large portion of the cash flow is committed to interest payments, managers enjoy less slack and are forced to improve their managerial performance. In addition, the reduction in "free cash flow" lowers the danger that retained earnings will be misused in low return endeavours. Thus, an increase in leverage – such as during a takeover – may be beneficial to shareholders by advancing business efficiency.

The main argument against leverage is that higher leverage increases the probability of bankruptcy which in turn results in dead-weight losses. A more recent argument is that a highly leveraged firm may have to live hand to mouth to meet the interest payments, foregoing the benefit of a long-term perspective. It may have to pass up valuable opportunities for lack of additional borrowing capacity or because the project would benefit only bondholders.

When it comes to external effects there is general agreement that a larger number of highly leveraged firms means an economy less resilient to shocks like business contractions or sharp credit tightening. First, a significant fraction of firms would be likely to experience bankruptcy directly. Second, those bankruptcies would tend to create a domino effect as the inability to pay would bring down other firms.

The fact that the system is more fragile in turn gives rise to another consequence. Those responsible for the design and execution of stabilisation policies – in particular the Federal Reserve – may be more cautious in implementing restrictive policies for fear of the disruptive consequences they might have. As a result, in the long-run those responsible for stabilisation might regrettably become more tolerant of inflation.

We do not share the common alarm concerning extent and recent trends of corporate indebtedness. The debt-equity ratio of US firms has increased since 1980, but not to an unprecedented level. Figure 1 shows two measures of the debt-equity ratio for non-financial corporations. The first, the ratio of book value of credit market debt to the market value of equity, varies significantly from year to year with fluctuations in the level of share prices. At the end of 1987, this ratio was well below its level throughout the mid-1970s.

The second measure, calculated as book debt divided by net worth measured at asset replacement cost, is smoother and displays a more pronounced upward trend in the 1980s. At the end of 1987, the debt-to-net-worth ratio was 45 per cent, only slightly higher than its level at the beginning of the 1970s.

Some argue that the sharp increase in the debt-to-net-worth ratio, from 31 per cent at the end of 1980, leads inevitably to financial fragility. Yet many other nations exhibit financial stability at debt ratios still higher than those in the US today. In the UK, for example, the debt-to-net-worth ratio for industrial and commercial companies was 48 per cent at the end of 1985. In Japan, the analogous ratio exceeded 75 per cent.

The rapid pace of innovation in US financial markets during the 1980s may have led to new financial institutions, better equipped to resolve corporate disputes between stock and bondholders, that permit a higher level of borrowing in the US as well.

Somewhat more alarming are the measures of corporate financial health, relating interest payments to the sum of pre-tax profits and interest payments, which are shown in Figure 2. The upper curve measures the coverage ratio using gross interest payments by the non-financial corporate sector while the lower curve uses net interest (gross interest less interest receipts).

Many other nations exhibit financial stability at debt ratios higher than those in the US

Both measures reflect growing leverage through time, with the net series, for example, rising from 23 per cent in 1980 to 32 per cent at the end of 1987. Once again, these ratios do not reflect unusual leverage, although they are higher than any other period of recent US experience. These ratios also appear to flatten out after 1981.

More important than the level of the coverage ratios, however, may be their dispersion. Firms that have recently experienced leveraged buyouts have coverage ratios far in excess of the average. For these firms a minor downturn in economic activity or an increase in interest rates may lead to financial distress. A recent study by Ben Bernanke and John Campbell of Princeton University documents that coverage ratios for firms in the top 5 or 10 per cent of the leverage distribution are much lower today than they were five or ten years ago. These are the firms that might face bankruptcy in the event of economic adversity and even at this juncture there is evidence that a growing number of LBOs are running into difficulties.

Nevertheless, these firms, while often discussed in popular accounts of LBOs, account for a relatively small share of outstanding debt. In 1987, for example, the $47bn of debt obtained for leveraged buyouts represented only 22 per cent of the year's growth in corporate debt. The growth of corporate indebtedness is not solely, or even primarily, the result of highly leveraged takeover transactions.

Evaluating the potential costs of higher leverage requires some understanding of why corporate borrowing has grown during the 1980s. Several explanations can be suggested. First, the tax reform of 1981 increased the incentive to leverage, which depends on both corporate and personal taxation. However, the reform of 1986 reduced the gains, although this conclusion might be disputed by some.

High leverage has also been facilitated by financial innovation relating to the design and marketing of appropriate instruments and the development of markets. Also, during the 1970s firms may have operated with debt levels below the optimal value that would equate tax savings to bankruptcy or agency costs, as a reflection of "managerial slack." Managers of low-debt firms are under less pressure to maintain steady profits and to avoid violating debt covenants than are those in firms that have recently incurred large debt burdens. The rise of corporate raiders in the early 1980s, and the development of junk bond markets and other financial structures facilitating large-scale corporate restructuring, has tended to raise corporate borrowing, squeezing managerial slack.

A similar role may be attributed to the development of financial institutions to reduce the costs of bankruptcy and near-bankruptcy. An obvious example of this is "strip financing," a technique whereby investors who purchase low-grade corporate debt also receive part of the firm's equity and possibly other debt instruments as well.

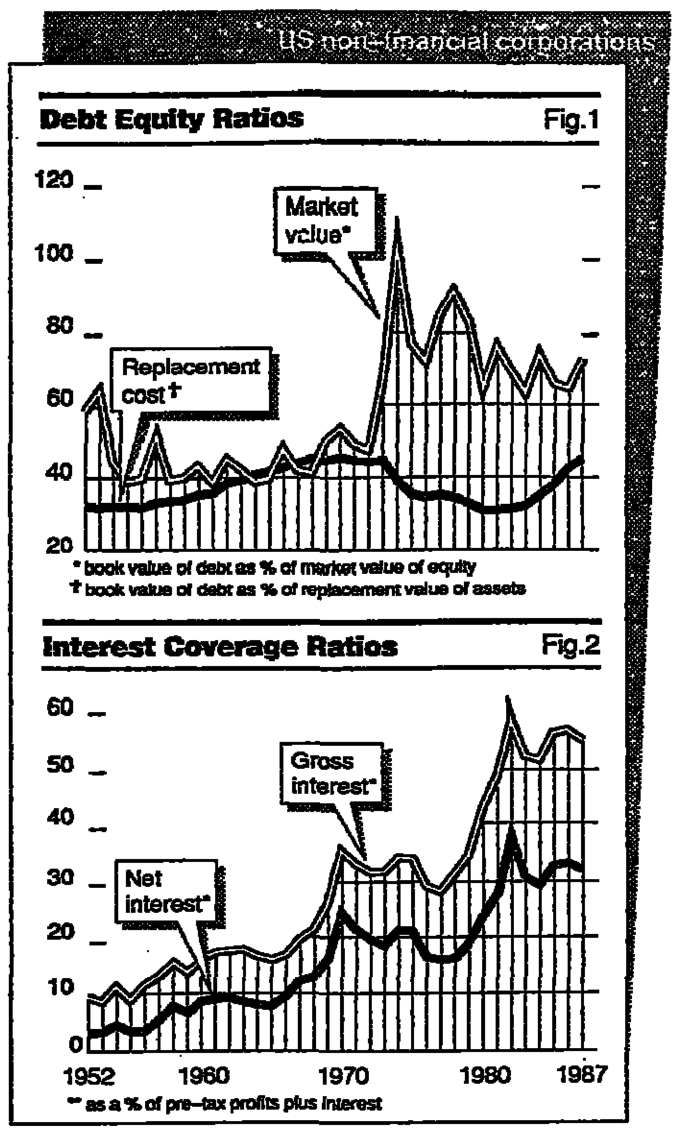
Similarly, the role of investment bankers on the boards of directors of post-LBO firms may provide some representation for bondholders. These techniques align the interests of corporate debt and equity claimants, thereby avoiding some of the traditional bargaining costs that might have affected debt-ridden firms on the edge of bankruptcy.

Because more leverage makes for a more brittle economy, and one more subject to an inflationary bias, there is a sound basis for policies which discourage, or at least do not encourage, corporate leverage. Instead the post-war structure of taxes seems to have leaned in the opposite direction. Regulation may also have worked in favour of high leverage, for example by prohibiting certain intermediaries from investing in equities while allowing them to hold bonds of highly leveraged enterprises which *de facto* share in the risk of the firm.

There is, in principle, no scarcity of tax or regulatory reforms to eliminate the biases in favour of leverage, including well-known devices such as eliminating or reducing the tax deductibility of interest or integrating the corporate and personal income tax.

While we believe that government policy should not artificially encourage leverage, we see no reason to be seriously concerned by recent developments. The present level of corporate borrowing in the US is not alarming. The most worrisome trend in recent years has been the rise of a small number of firms with extremely high levels of debt. This trend should be monitored and may require policy action in the future.

The authors are, respectively, Institute Professor Emeritus and Professor of Economics at the Massachusetts Institute of Technology. Prof Modigliani was awarded the Nobel Memorial Prize in Economics in 1985.



Filling the Eire waves

Kieran Cooke, in Dublin, on a revolution in Irish broadcasting

What do Ireland's largest company, the manager of one of the world's leading popular music groups, and a Church of Ireland Bishop have in common? All are contenders for a range of new broadcasting licences designed to revolutionise the Republic of Ireland's broadcasting services.

New broadcasting regulations which came into effect in the Irish Republic on January 1, 1989 provide for the setting up of a new commercial television channel. Early contenders for the new television licence are a group linking Jefferson Smurfit, the Dublin-based paper and packaging giant, and Mr Paul McGuinness, manager of the U2 pop group.

The Government has also provided for the setting up of as many as 26 new commercial radio stations. Applicants for radio licences include the Right Reverend Edward Darling, the Church of Ireland Bishop of Limerick, who feels that the Government's innovations provide an opportunity not to be missed. "The Church should not be left out of this," he says. The Roman Catholic Church has also made known its intention of becoming involved in radio.

Radio listeners and television viewers in Republic of Ireland already have more choice than many of their counterparts in Europe. Throughout much of the country, particularly in eastern regions, viewers are able to receive up to 10 television channels. In addition to the two channels provided by Radio Telefis Eireann (RTE) the national broadcasting company, cable networks carry commercial channels from satellite stations while television stations from the UK can be picked up by rooftop aerials.

The Government is now set to introduce a television network designed to bring multi-channel viewing to all. The new arrangement – broadcast via a multipoint microwave distribution system (MMDS) – involves franchise holders throughout the country rebroadcasting television signals on microwave frequencies. Ireland will be the first European country to use such a network.

Last June the Government set up the Independent Radio and Television Commission to reorganise what was becoming an increasingly chaotic broadcasting system. In recent years, Irish radio listeners have been served not only by RTE and foreign stations, but also by about 70 unlicensed "pirate" stations throughout the Republic, in open defiance of the broadcasting laws. Some of them became so well established that they obtained planning permission for their transmitters and paid tax on behalf of their employees.

Since January 1 these pirate stations have been ordered off the air. Those that continue to broadcast have been threatened with large fines and imprisonment.

The new commission has been given the task of filling the airwaves with legal broadcasters. Already a licence for a nationwide commercial radio service has been granted to a consortium headed by Mr Oliver Barry, a rock concert promoter. The commission is also considering applications for local radio licences.

One of the most controversial aspects of the Government's new broadcasting policy is the decision to set up Radio Tara, a joint venture between RTE and Radio Luxembourg. Radio Tara will broadcast to the UK. It will broadcast virtually non-stop music; its backers say they have established a clear market – and potential advertising revenue – in the UK.

Two 300KW transmitters and a 1,000 foot radio mast for Radio Tara, due on air this year, are being installed at a site north of Dublin.

The Government says the new broadcast age will create jobs and give the whole country a choice of viewing and listening. Critics say there is a danger Irish television will be filled with cheap "soap" sagas from the US, its airwaves clogged with non-stop pop music. Justice Seamus Henchy, chairman of the new commission, says his team will not be responsible for what is eventually seen and heard. "One man's quality is another man's rubbish," he says.

LETTERS

The learning market

From Mr Michael Edwards.

Sir, Your series of feature articles on UK higher education is timely and welcome. It is therefore unfortunate that your leader introducing the series (February 5) contains a number of misconceptions.

The student voucher scheme for tuition fees has the important advantage of recognising that choice rests ultimately with the student, whatever the system of funding.

As you yourself point out, Government attempts at centralised manpower planning through higher education, however well intended, have not worked. Students do not believe that the man in Whitehall knows best. Do you?

You suggest that such a scheme would deprive the Treasury of its control over this sector of public expenditure. Why?

Even under the present system, students receive a "voucher" for their tuition fees; but it represents a small fraction of tuition costs – the balance is met out of public funds by grants through the Universities Funding Committee (UFC) and the Polytechnics and Colleges Funding Committee (PCFC) to individual universities and polytechnics.

Over the years the proportions of tuition costs covered by "voucher" and by grant have varied. Why should they not be varied again, to increase greatly the voucher element and reduce (or even eliminate) the institutional grant? That can be done with or without change in the level of public expenditure, which would remain under exactly the same control as at present.

You rightly say that a full voucher scheme would make "top-down planning and the deliberate elimination of weak departments" impossible. Are those things you wish to defend? They have very few defenders among students or among teaching staff.

The objective of every academic institution and department, achieved with varying degrees of success, is to maximise the quality and relevance of its courses. Departments are far more likely to be able to adapt their courses promptly to changing student need, and to avoid the disruption of abrupt closures resulting from central planning, if funding depends directly – or depends directly to a greater extent – on student choice.

Michael Edwards,
Stone Mill,
Dewlands Hill,
Rotherfield, East Sussex

ACT problem remains

From Mr K. Etherington.

Sir, Richard Waters' article (February 3) on the problem of un-utilised advance corporation tax (ACT) mentions BAT Industries as overcoming the ACT problem. He does this on the basis that in one year's accounts (1987) out of the 15 years since the imputation system was introduced, we did not write off any ACT.

Unfortunately, one swallow does not make a summer. Such a favourable position depends on many factors, not least the continuing growth in profitability of UK business at a time when the Government is seeking to constrain demand.

Mr Waters will know that at the end of 1988 we made a significant investment in financial services in the US: about $5bn. This will undoubtedly improve our overall business, but have an adverse effect on our ACT position.

We would support the BP position wholeheartedly. The ACT problem has been a real headache for years; it will not go away without legislative changes.

K. Etherington,
BAT Industries,
Windsor House,
50 Victoria Street, SW1

Commodity pacts made stable

From Professor Christopher Gilbert.

Sir, Your second leader ("Price-fixing in commodities", February 2), which contains a sensible discussion of the difficulties currently experienced in the cocoa agreement, concludes that although commodity pacts "are very imperfect instruments, there is little else to put in their place."

A number of us (in financial institutions, international organisations, and universities) have put a great deal of effort into arguing exactly the contrary. In particular, it is now relatively straightforward for a commodity-producing company or country to arrange a DIY (do-it-yourself) stabilisation agreement by negotiating symmetric long dated out-of-the-money put and call contracts.

These instruments have the advantage that they can be tailored to suit the producer's particular requirements. What they will not do, of course, is raise prices.

Christopher L. Gilbert,
Queen Mary College,
University of London,
Mile End Road, E1

Standard simplicity

From Mr R.S. McCoig.

Sir, In the article on third party maintenance (January 26) it was stated that there is no practical way for users to compare competing maintenance organisations.

There is a beautifully simple way – at least for getting to a shortlist. Check that the maintenance organisation has achieved the British Standard 5750 for computer maintenance.

Not many organisations have passed the rigorous tests of structure, skills and procedures to reach the high standard required.

R.S. McCoig,
Philips Telecommunications and Data Systems,
Elektra House, Berghott Road,
Colchester, Essex.

Brazil's debt redefined

From Mr Michael Ruddy.

Sir, Brazil could come to terms more easily with its foreign debt by converting it into a basket of commodities.

The cycle of rescheduling and capitalising of interest due leads to an increase in the outstanding amount, and the accompanying urgency to export more, so pushing down commodity prices.

Given its dominant position as a supplier of the commodities most heavily traded, Brazil could redefine its debt in "Brazilian Credits," each with the right to be exchanged at a set time in the future for a certain quantity of a commodity traded on one of the international commodity exchanges. These BCs could be tailored to be deliverable against futures contracts, so that the creditor banks could make a market in them. To compensate for the loss of interest there would be the premium attaching to futures – a function of interest rates.

If, at the inception of the scheme, the value of the Brazilian Credit is set so that those immediately exchangeable are worth $1 each, and the basket holds 115bn BCs, the whole debt would be cancelled in 20 years by issuing 2bn in the first year and increasing the amount by 10 per cent a year year. This is not unrealistic – Brazil's exports for 1988 were worth more than $30bn.

It is necessary, especially at the beginning, to limit the issue, so that there remains sufficient demand for Brazilian products to keep the balance of payments in credit, and to avoid the prospect of a glut.

Details of the composition of the original basket and how it might subsequently be altered would need to be agreed at the beginning with the creditors.

Brazilian Credits would of course vary in their dollar value depending on the future values of the underlying commodities, perhaps becoming a currency in their own right.

Michael Ruddy,
20 Mount Adon Park, SE22

Capitalism has its costs

From Mr S.A. Maitland.

Sir, The question of shareholders' pre-emption rights is a complicated one (Weekend FT, January 28). "The institutions jealously guard their rights".

Why? It is not their own money they are managing, but their unit holders', policy holders' and pension fund members'. They may regard it as a responsibility to try to protect the investment position of these beneficiaries.

Existing personal shareholders may not welcome a loss of their pre-emption rights.

Many wish to invest, although they may not feel secure in running their own investment portfolios. Is this detrimental to the widening of investment ownership?

Cutting dealing costs, particularly for smaller bargains, is an important, connected, but separate topic.

S.A. Maitland,
Pearl Assurance,
High Holborn, WC1

FINANCIAL TIMES
Wednesday February 8 1989

Bush rescue plan for thrifts receives mixed reaction

By Lionel Barber in Washington and Anatole Kaletsky in New York

PRESIDENT GEORGE Bush's $50bn rescue plan for the troubled US savings and loan industry met yesterday with a generally favourable reaction from Congress.

But several key lawmakers hinted that they may amend some of the Administration's proposals. Wall Street reaction ranged from mild scepticism to total indifference.

Bank trade groups, whose members face nearly a doubling of the deposit insurance premiums they pay, may also attempt to influence the legislation which calls for major regulatory reforms.

A further caveat concerns the economic assumptions, particularly on the future course of interest rates, which underly the Bush rescue plan, an issue which several Congressional committees are expected to investigate in the coming weeks. This could delay enactment of the legislation until June or July.

"There are still some questions as to precisely how to pay for this to keep the cost down and to minimise the liability directly to taxpayers," said Senator Don Riegle of Michigan, Senate Banking committee chairman.

Other Congressmen questioned the creation of a new entity, the Resolution Funding Corporation, to issue $50bn of bonds. The interest cost is likely to be between $600m and $1bn higher each year than if the Treasury were issuing the obligations itself.

Under the plan, the thrift industry and commercial banks are being asked to pay higher premiums for government deposit insurance. Thrifts would pay two more cents, rising to 23 cents per $100 in deposits from 1991 to 1994. After 1994, providing the thrifts comply with tougher capital requirements, the premiums would fall to 18 cents, more in line with commercial banks.

However one Congressional expert said that the Bush proposals had neatly avoided placing the burden of the S&L bail-out on the commercial banks who were merely being asked to strengthen their own insurance fund: an additional premium of four cents per deposit next year, and seven cents per $100 in subsequent years, bringing them to 15 cents per $100.

On Wall Street the savings and loan problem has never been viewed with as much concern by US investors as by their foreign counterparts and the Bush Administration's solution was very much in line with expectations.

There was some grumbling, however, about the budgetary accounting by which the Treasury intends to minimise the impact on the deficit for the forthcoming 1990 fiscal year.

Some analysts noted that $11.1bn, or 85 per cent of the package's initial costs, will be added to the over-run in spending for the current fiscal year. As a result, the cost will be a negligible $1.9bn in the forthcoming 1990 fiscal year, when President Bush will be held accountable for the deficit. The cost will then build up again to $5bn annually from 1991 onwards.

Apart from fiscal implications, analysts said the rescue would have little impact on the supply-demand balance in the US Treasury bonds market, since the $50bn of new bonds to be sold over the next three years would be classed as "agency securities," rather than direct Treasury issues.

The impact on bank profits is also likely to be imperceptible, according to Mr Ray Archibald of Fox-Pitt Kelton, a Wall Street firm specialising in bank stocks. Fox-Pitt estimated that the extra insurance premiums to be paid by commercial banks would reduce their after-tax profits by two per cent from 1990 onwards, assuming that they managed to pass none of the premiums onto their retail customers.

In practice, Mr Archibald said, most banks would easily recapture the higher premiums, without jeopardising their competitive positions against money market funds, by raising fees for checking and other services.

Spain on the horns of a dilemma

Peter Bruce on the quandary of an illegal bullfighting practice

SPAIN'S bullfighting community is a proud one and seldom hangs its dirty washing in public. An unpleasant public row over practices in the blood-sport – one of Europe's oldest – was quickly smothered at the beginning of the year.

It concerned the old but growing practice of shaving, to blunt and weaken, the horns of a bull before it goes into the ring. Last December the Interior Ministry leaked figures showing that at least 82 of the 262 horns tested by the National Health Academy last year had been shaved. More than 3,000 bulls – only a few of whose horns are tested – fight in Spanish rings every season and the Ministry estimates many more than 82 were shaved.

Few experts disagree. "It is on the increase," says Mr Jesus Bengoechea, a seasoned veterinarian who has officiated for more than 20 years at Las Ventas, the Madrid ring. The ministry leak was met by a brief splurge of outrage from ring managers, bullfighters and breeders and then it was gone. The season is about to start and nothing should spoil the fun.

Ernest Hemmingway said the first thing any foreigner wrote about Spain was that bullfighting was declining. But the fights are becoming more popular. The excitement of the ring provides an escape for a society increasingly tied to computer terminals and cash registers. Fight tickets are hard to get, books on the subject are flourishing, a dozen bullfight schools train young *matadors* and most Spanish radio stations broadcast fight shows.

But many fights are a fraud. The bulls are shaved, which involves coaxing the animal, which has probably hardly ever seen a man on foot, into a tight wooden box where it is immobilised. As the bull struggles to be free, he often damages his powerful neck and hindquarters. Then the tips of the horns are sawn off and a file used to carefully round off the points. Critics say they have occasionally even seen bulls rush into a ring with their horns still bleeding.

It is a traumatic experience for the bull and the effect is threefold. First, the horns are blunter. Second, and perhaps more important, it no longer has a clear idea of where its horns end and cannot accurately judge its attacks. Third, it has been scared and weakened, often just before a fight.

"It is a terrible practice," says Mr Bill Lyon, an American who writes on bullfighting for the Madrid newspaper El Pais. "It used to be that to get a bull shaved you had to be powerful. Now everybody's doing it, but bullfighting only makes sense if it is dangerous."

Because shaving is illegal, the arguments following the Interior Ministry leak concentrated on who was to blame. Under a 27-year-old decree, the breeder is responsible for the condition of the bull, but that is patently unfair. Many bulls are shaved in transit to the ring after they have been bought. That puts the spotlight on the ring managers.

"The methods for testing are not secure," complains Mr Diodoro Canorea, who has managed the revered Seville ring for the past 34 years, echoing an argument used by most ring directors and scorned by *aficionados*.

Some shaving is so expert that only a microscope can tell the difference between a filed horn and one naturally blunted against walls or the ground. Another test is to measure the distance from the nerve end to the tip. Of the tests done last year, the Seville ring had the worst results.

Supervising authorities, including the police, have also been criticised. Once the bull has been killed, only a few horns are packed at the ring abattoir and sent to Madrid for tests. At hundreds of small Spanish rings during local celebrations the standards are far less rigorous.

Theoretically, the authorities can ban a bull if they spot horns obviously shaved before a fight, but it takes a brave man to do so and dampen the highpoint of often passionate village fiestas. "You can suspect," says Mr Bengoechea, "but it is hard to be sure."

Ring and fighter managers sometimes openly demand that breeders shave their bulls and the financial pressure, with bulls selling for up to $10,000 each, is intense.

"They say these bulls have to be shaved," says the Conde de la Maza, a major breeder and the chairman of the Andalucian breeders association, "and if you don't shave you don't sell your bulls."

The benefits for the fighters – and the rings – are obvious. "A *matador* fighting a bull he knows is shaved has more confidence," says the Conde. The fighter can then work close to the bull and better display his artistry, which is often considerable.

The more popular the fighter, the more fights he gets and a good *torero* can make Pta4m ($34,250) a day in high season.

Breeders want the Government to change the laws holding them exclusively responsible for their bulls. The decree is unworkable because breeders who are fined for shaving simply appeal on the basis that they cannot be presumed guilty without proof. "Nobody pays the fines," says the Conde de la Maza. He argues that all horns should be sent for testing and that veterinarians should be given greater powers (and protection from angry spectators) to ban suspect bulls before they fight.

One improvement might be to switch responsibility for bullfighting from the overworked Interior Ministry to the Ministry of Culture which already monitors soccer. But what is also needed is a minister willing and able to apply laws against cheating.

The fact shaving is so widespread probably means spectators don't care much. One bullfight magazine even called for shaving to be legalised. Whatever the future, it still takes a brave or stupid person to stand in front of a charging bull. What the shaving proves is not so much that bullfighters are cowards but that, while they get away with it, they too are not stupid.

McDonnell Douglas deal for Rolls-Royce

By Nick Garnett in London

ROLLS-ROYCE of the UK is to supply engines for civil airliners made by McDonnell Douglas of the US for the first time in almost 25 years following announcements yesterday of a range of sales deals for aircraft and jet engines.

The announcements mark the first purchase of the new high-thrust version of Rolls-Royce's RB211 engine which is costing between £300m ($519m) and £400m to develop and is due to be in service in 1993.

One of the deals also heralds a further stage in the battle for charter flights with airlines under the UK-based Air Europe banner planning an expansion of their fleet from 39 aircraft now to 70 by the early 1990s.

McDonnell Douglas announced 78 new firm orders or options for its MD-11, three-engined airliner, the first of which is due in service next year. The biggest order, worth up to $8.6bn, is for up to 50 aircraft for American Airlines.

International Leisure Group, parent company of Air Europe, has placed a firm order for six MD-11s, worth $600m, with an option on a further 12 which it is likely to exercise. The aircraft will be fitted with the new 524L derivative of the RB211 engine which will develop between 65,000 and 80,000 lb of thrust, more than any engine currently in use.

Sir Francis Tombs, Rolls-Royce chairman, said it was extremely important for the company that it now had a launch platform for the 524L. The firm order for 18 engines for the six Air Europe aircraft is worth about £100m to Rolls-Royce.

Sir Francis said discussions with the UK Government on aid to help cover the development costs of the engine would be completed within a few weeks.

Rolls-Royce supplies engines for two British-designed aircraft made by McDonnell Douglas, the Hawk trainer and the Harrier fighter for the US Navy. However, it last supplied engines for McDonnell Douglas airliners in 1965. Rolls-Royce accounted for only 10 per cent of world commercial airline engine sales in 1987.

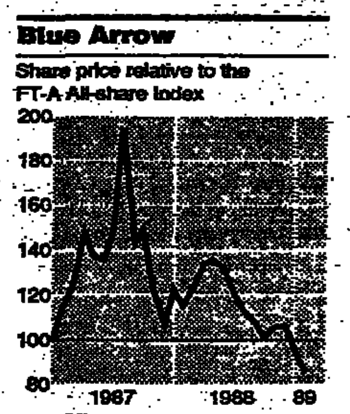
Of 253 orders or options for the MD-11, almost all will be supplied with US-made engines with Pratt and Whitney so far taking a majority of the orders.

The MD-11, which replaces the DC10, seats between 214 and 450 passengers in normal configuration but up to 612 if necessary.

THE LEX COLUMN

Blue Arrow turns the corner

Yesterday's late burst by the London market suggests that equities may not be so overbought as generally supposed. The 26-point dip of two days ago was the only worthwhile setback since the start of the year, and it has been immediately recouped. The new post-crash high may still owe something to market-makers squaring their books; more important, the pattern of the past week starts to look like a consolidation around the 2,050 level.



Blue Arrow

With luck, the first set of results from Mr Mitchell Fromstein's Blue Arrow could prove a turning-point. The recent past is quite improbably disastrous: the puffed profit expectations, the ruinous fall in the share price, and the heavy tread of the DTI inspectors. Mr Fromstein, though, stands clear of all that. He may have played his part in the share price collapse, but only through doing his duty by Manpower's shareholders in inducing Blue Arrow to pay more for the company than it was worth.

Yesterday's 4p rise in the share price also had little to do with the superficially disappointing £75m pre-tax profit. It would be pardonable if Mr Fromstein had swept all the bad news into these figures, if only to mark the break from the Berry era. Henceforth, no fireworks are promised: the company professes to be acutely aware of its share price, but claims the only answer lies in old-style trading and margins improvement. Indeed, it goes further, since the earnings multiple is broadly in line with the international competition, the price performance must come from earnings growth rather than re-rating.

It follows that the chief risk with the shares is one of dullness. Most UK holders have lost so much that there is little point in selling; conversely, much depends on how far US investors can be attracted to Manpower in its new guise. As for subscribers to the notorious rights issue, waving goodbye to Blue Arrow's past means doing the same to their money: but if they were wise, they did that long ago.

US thrifts

The task of sorting out 350 insolvent thrifts and creating a stable, solvent future for the remaining 2700 is so large that it must impose some pretty serious costs somewhere. The relative lack of protest that has greeted Monday's $50bn package from Mr Bush suggests either that the costs are hidden, or that the solution is not big enough.

In fact, both may be true. The budgetary arithmetic seems tohave been fudged slightly, while the size of the package may only be half what is eventually needed. The strain on the public purse falls most heavily into the current year, when the overshoot on the deficit is already so large that the market has largely given up on it. In 1990, by contrast, the mere $2bn of additional allotted costs are not going to make it much more difficult than it is anyway for the new president to get the deficit numbers to add up on Thursday.

The share of the bill to be forked out by the banks and thrifts themselves also seems bearable. At the margin the extra 7 basis points paid in insurance could bankrupt the most precarious of the thrifts, but then they probably would have needed futher help either way. In any case, depositors are bound to end up paying most of the additional premiums themselves, leaving shareholders with little to worry about.

Nor should financing the bail-out prove particularly difficult. The issue by the new Resolution Corporation of $50bn-worth of bonds has been given a surprising welcome by the market, with spreads between agency bonds and treasuries actually narrowing – apparently on the grounds that the market will be more liquid in future. Meanwhile, the $5bn-6bn which the thrifts will invest in zero coupons might help the long end of the Treasury bond market, although if the Treasury is wise it will do a special issue to tap the demand direct.

Rolls-Royce

Rolls-Royce could yet end up getting its £100m from the Government for the new RB211-524L engine, but the market was not waiting around yesterday to hear Sir Francis Tombs stand up and say so. The mere threat that Rolls-Royce might have to fund the £500m development programme without the helping hand of the state was enough to send some 21m of the company's shares scurrying round the market in a frenzy. With all that anxiety about, the shares probably did well to end the day unchanged while most of their peers in the FT-SE took another step higher.

That reaction may sound excessive: even if the Government decides it has better things to do with its £100m, it could make up for part of the disappointment by reducing the levies Rolls-Royce pays on existing state aid. And the company could always look for other partners in the project to join the two Japanese companies which have already signed up for 9 per cent. But the fact remains that developing the new engine will put a heavy burden on the R&D budget between now and 1992 - not to mention the strain of actually trying to flog the product at a profit in competition with the likes of Pratt and Whitney and General Electric, yesterday's Air Europe deal notwithstanding.

Ultramar

The 4.5p rise in Ultramar's share price to 315.5p sits oddly with yesterday's rumour that the Canadians have finally sold up and gone home. Their failure to get a consortium together should in ordinary circumstances have taken the company off the bid list, especially now that every conceivable bidder around the world has surely both considered and rejected making an offer. Meanwhile, Ultramar's chances of survival appear to be lengthening: not only is it stronger after recent acquisitions, but there are other assets for sale, both in the North Sea and in Canada, which could prove more tempting to buyers.

However, the ease with which the Canadian stake was sold tells another story. Unless there is a rich arb out there with nerves of steel, there would seem to be a genuine bidder around who reckons – perhaps optimistically – that a further turn is to made from breaking up the company, even given a likely asset value no higher than 350p.

UK water flotation adrift

Continued from Page 1

out that the drinking water legislation had been agreed almost 10 years ago. It was therefore not up to the Commission to grant a "derogation" at this stage.

The Commission's stand presents a major problem for the UK, which approached the Brussels authorities for what it hoped would be a routine clearance of its water privatisation proposals.

The main hurdle appears to be the EC's drinking water directive, which was unanimously agreed by member states in 1980 and which lays down maximum advisable concentrations for a range of "undesirable substances" in water. This should have been translated into national laws across the Community by 1982 and fully enforced by the beginning of 1985.

Most other EC countries have failed to meet the obligations on water parity and Brussels has been busy pursuing those whose legislation falls to conform. The procedure can be lengthy but the final stage is an application to the European Court.

British officials insisted yesterday that the UK is in no way trying to circumvent the EC's rules, rather to find a way of allowing the water companies more time to meet the standards. It is not clear what derogation is in mind, nor has the UK quantified the cost of implementing the relevant directives.

It was pointed out yesterday that some sort of political solution will be needed, given the government's eagerness to remove any legal cloud from the flotation

Soviet withdrawal

Continued from Page 1

Mr Sibghatullah Mojadiddi, head of the alliance of seven Pakistan-based resistance groups has apparently offered the eight groups based in Iran more than 100 seats. The other six Pakistan-based leaders furiously rejected the idea and said Mr Mojadiddi's trip was not official.

Soviet paratroops have been drafted into Afghanistan to back up the Soviet forces holding the key Salang pass and tunnel on the main road from Kabul out of the country, already disrupted by avalanches, snowstorms and regular breakdowns.

A Soviet newspaper said Lt-General Boris Gromov, commander-in-chief of Soviet forces in Afghanistan, will be the last Soviet soldier to leave the country, crossing the Oxus River to Termez in the Soviet Union at 10 am local time on February 15.

The Afghan mujahideen, long expected to try to capture the country's airports as the Soviets leave, launched a major attack yesterday on the airport at Kandahar, Afghanistan's second city, but have not so far taken it. The only Soviet soldiers left in Kabul are concentrated around the airport.

Mr Gennady Gerasimov, spokesman for the Soviet Foreign Ministry, said tens of thousands of mujahideen were concentrating their ground attacks on the main roads to Kabul and on the main road in the west which leades from the important air base at Shindand up to the provincial capital of herat and on to Torghondi on the Soviet border.

Correction

Ricoh photocopiers

The Financial Times wishes to clarify that the article in the February 7 edition concerning Ricoh photocopiers referred to a European Commission recommendation for a duty to be imposed on copiers assembled by Ricoh in the US, not in the EC.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	13	55	Malta	S	15	59	Rhodes	S	14	57
Algiers	S	18	64	Edinburgh	F	13	55	Manchester	C	11	52	Rio de J'o	C	30	86
Amsterdam	F	10	50	Faro	S	14	57	Manila	F	30	86	Rome	F	16	61
Athens	F	14	57	Florence	S	08	46	Melbourne	C	32	90	Salzburg	S	10	50
Bahrain	F	17	63	Frankfurt	C	03	37	Mexico City	C	237	35	San Francisco	F	09	48
Bangkok	F	32	90	Funchal	C	15	59	Miami	F	26	78	Seoul	C	09	48
Barcelona	F	14	57	Geneva	F	07	45	Milan	C	01	34	Singapore	F	32	90
Beirut	F	17	63	Gibraltar	R	14	57	Montreal	Sn	-4	25	Stockholm	F	07	45
Belfast	C	10	50	Glasgow	R	09	48	Moscow	C	03	37	Strasbourg	Fg	04	39
Belgrade	C	02	36	Guernsey	S	10	50	Munich	S	08	46	Sydney	F	26	79
Berlin	R	10	50	Helsinki	F	08	46	Nairobi	F	22	72	Taipei	C	18	64
Biarritz	S	11	52	H. Kong	F	18	64	Naples	S	16	61	Tangier	R	12	54
Bombay	S	29	84	Innsbruck	S	10	50	Nassau	F	27	80	Tel Aviv	F	17	63
Bordeaux	S	11	52	Inverness	F	06	43	New Delhi	F	22	72	Tenerife	C	13	66
Brussels	F	12	54	Islamabad	F	17	63	New York	C	04	39	Tokyo	F	13	55
Budapest	F	06	43	Istanbul	F	08	64	Nice	S	16	61	Toronto	Sn	-3	27
B. Aires	C	36	97	Jakarta	R	28	82	Nicosia	F	10	50	Tunis	F	15	59
Cairo	F	18	64	Jersey	S	09	48	Oporto	S	12	54	Valencia	F	13	55
Cape Town	S	33	91	Jo'burg	C	19	66	Oslo	F	13	56	Venice	F	03	37
Caracas	C	23	73	Lima	F	29	83	Paris	F	13	55	Vienna	S	11	52
Casablanca	F	17	63	Lisbon	F	15	59	Peking	C	03	37	Warsaw	C	09	48
Chicago	C	08	46	London	F	12	54	Prague	S	10	50	Washington	Sn	-1	30
Cologne	S	12	54	Los Angeles	R	11	52	Reykjavik	S	-3	27	Zurich	Fg	01	34
Copenhagen	C	10	50	Luxembourg	Fg	03	37								
Corfu	S	16	61	Madrid	F	12	54								
Dallas	F	-6	21	Majorca	F	15	59								
Dublin	C	11	52	Malaga	F	15	59								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

China takes a gamble with oil markets

Continued from Page 1

the New York Mercantile Exchange where the Chinese actively trade crude oil futures.

It is China's entry into the Brent market for North Sea oil, however, that has raised traders' eyebrows. The unit of contract in the market is 500,000 barrels of oil, which at today's prices is worth roughly $8.5m. Although the market is now subject to a loose code of conduct issued by Britain's Securities and Investments Board it is basically unregulated.

Unlike the futures markets, where margin payments force traders to face up to losses quickly, losses can be accumulated for months on the Brent market and rolled forward until trading partners become suspicious and pull the plug. This is what happened in the case of Kloeckner, where many traders were forced to accept millions of dollars in losses.

Traders worry that Sinochem could end up with the same sort of problem.

"They lack the experience of risk management," says one.

Traders are none the less impressed by what they see as a pragmatic and methodical approach to the market, and the core of traders is given high marks for skills. Sinochem will provide a bank guarantee if trading partners insist on one, but some traders wave this because bank guarantees raise the cost of doing business, and traders assume that in the end the parent company, which is huge, or the Chinese Government would make good any losses.

Big oil companies are also keen to develop good relations with Sinochem because of the possibilty that other business opportunities will arise.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday February 8 1989

INSIDE

Corporate cliffhanger grips Australians

Australian mining companies are keeping a sharp eye on the Minorco-Cosolidated Gold Fields bid battle. Their interest lies in Minorco's 48 per cent holding in Renison Goldfields, which the South African-controlled company has promised to sell if it goes ahead with and wins a bid for Gold Fields of the UK. Renison, with a large stake in mineral sands, tin and of course, gold, is an attractive target. Page 29

Life's little ups and downs

Linde of West Germany has got the rest of the world's fork-lift truck industry rattled. Its purchase, confirmed last week, of a large part of the Lansing fork-lift truck business is the latest in a series of moves which reinforce Linde's position as the western world's biggest supplier of lift trucks. The Lansing deal also marks another step in the consolidation of this overcrowded marketplace, reports Nick Garnett. Page 32

Bad memories haunt DSM price

Memories of the devastation wreaked by the early 1980s recession in the chemicals industry are still vivid in investors' minds, with fears of another downturn keeping European chemicals stocks at deep discounts to their local markets. The low offer price for the first privatisation tranche of DSM, the Dutch chemicals group, is the latest illustration of the low value put on the sector. Page 50

Big may not be so beautiful

Survival of the fittest, but not necessarily of the biggest, appears to be the UK Government's message to companies competing in world markets. Francis Maude, Minister for Corporate Affairs, (left) told the FT conference on European Mergers and Acquisitions that Japan's trade success had been built on intense competition in its domestic markets. "The policy has been Darwinian rather than dirigiste," he said. Philip Coggan reports. Page 36

Trying to put the bond genie back in the bottle

Changing the terms of a security after it has been issued is a project akin to putting the toothpaste back in the tube after it has been squeezed out. It is, however, a task some UK companies are attempting. They are seeking to remedy a situation whereby they issued a variety of convertible bonds and found they got less than they bargained for or paid more than they counted on. Page 34

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				[illegible]	1675	+	122
Rises				[illegible]	584	+	26
Linde	692	+	10	**Falls**			
Deutsche Bank	541.5	+	9	Telemech	4301	−	226
Falls				[illegible]	495	−	18
[illegible]	158	−	6	Epeda	1197	−	45
[illegible]	440	−	13	**TOKYO (Yen)**			
MAN	254	−	5.5	**Rises**			
Degussa	369	−	10	Tokyo Tatsu	1580	+	200
NEW YORK ($)				[illegible]	1370	+	150
Rises				Nakayama Steel	1730	+	190
Chelsea Inds	27⅞	+	3⅛	**Falls**			
Dow Chemical	92⅞	+	1⅝	[illegible]	1080	−	120
[illegible]	31⅞	+	3¼	Toa Doro Kogyo	1080	−	90
Kollmorgen	25⅛	+	3	[illegible]	1080	−	90
[illegible]	78⅛	+	2⅞				
Falls							
US HealthCare	[illegible]						
PARIS (FFr)							
Rises							
[illegible]	630	+	102				
New York prices at 12.30.							
LONDON (Pence)							
Rises				Marks Dev	485	+	105
Alba	143	+	10	Marley	195	+	10
Aquascutum	293	+	10	Mayborn	88	+	13
Blue Arrow	91	+	4	Reed Intl	455	+	13
Burton	213	+	10½	[illegible]	495	+	14
Cable & Wire	444	+	12	STC	325	+	11
Cons Gld Flds	1459	+	19	T & N	214	+	11
ERF (Hldgs)	485	+	33	3i Scientific	211	+	9
First Leisure	196	+	16	**Falls**			
Fisons	281	+	17	Aaronson Bros	115	−	13
French (Thos)	91	+	10	Amstrad	100	−	4
Glaxo	1292	+	22	Baker (C)	93	−	4
GUS A	1146	+	46				
ICI	1207	+	16				

Blue Arrow 'does not plan disposals'

By Vanessa Houlder in London

BLUE ARROW, the world's largest employment agency, yesterday unveiled pre-tax profits of £75.1m ($43m) for the year to October 31 and dashed speculation that it was planning major disposals.

Mr Mitchell Fromstein, chief executive since last month when directors relieved chairman Mr Tony Berry of his executive duties, said no such plans for restructuring or divestment were being considered.

Yesterday's results, which follow several months of boardroom turmoil at the UK-based company, were at the lower end of forecasts. They compare with profits of £29.1m in 1986-87, before Blue Arrow's audacious acquisition of Manpower, US employment agency, for $1.3bn.

The stock market was relieved that the results, which had been delayed for a week, contained no surprises, and Blue Arrow's share price rose from 87p to 91p.

Blue Arrow's performance was considerably ahead of the world employment services market as a whole, Mr Fromstein said. Manpower showed a pre-tax profit increase of 31 per cent in US dollars, while its other agencies – such as Brook Street Bureau in the UK – produced profits increases of 25 per cent of more.

Dismissing the suggestion that Manpower had benefited from synergy with the Blue Arrow businesses, he said this was one of a "laundry list" of benefits which, erroneously, had been expected to add £20m-£25m to profits. This had led to inflated 1987-88 profits forecasts of £110m at the time of the takeover.

Contrary to analysts' opinion at that time, it was extremely difficult and time-consuming to improve margins through joint ownership of competing "brands," he said.

Mr Fromstein denied that any agreement had existed to take Manpower, a specialist in temporary placements, further into the permanent jobs market. The notion that Manpower would greatly benefit from such a move was misconceived, he said, because permanent placement business was less durable in the face of an economic downturn.

After the boardroom struggles of the previous two months, Mr Fromstein said he was not disturbed by the imbalance between executive and non-executive directors. The board ought to have a heavy bias to non executives "who have something to contribute in terms of intelligence, sage observation and experience," he said.

He said he planned to strengthen senior management but was not prepared to discuss his plans. Mr William Markey, briefly elevated to position of chief executive of Manpower, had now returned to his post of managing director of Blue Arrow in the US, he said.

Mr Fromstein said that Blue Arrow expected to appoint a new broker by the end of the week. Its former broker, Phillips & Drew, resigned on Monday, after complaining of lack of contact with the company's new management.

Group turnover increased to £1.39bn (£406.7m). The total represents a 20 per cent increase over the *pro forma* comparative figure of £1.16bn if Manpower had been part of the group for 1986-87.

On the same basis, group profits had advanced by 26 per cent from the *pro forma* comparative figure of £59.7m.

Currency effects depressed profits by £7m compared with the out-turn using the previous year's exchange rates. The figures also suffered from a loss of £600,000 from Richards Consultants, a US business that was part of the group before the Manpower acquisition. Costs relating to Richards contributed to an extraordinary charge of £1.13m.

Earnings per share increased from 6.6p to 6.8p. A final dividend of 1.2p per share was recommended, giving a total of 1.8p (0.8p) per share for the year.

Lex, Page 28; Fromstein defends Blue Arrow's direction, Page 30

Picture: Lydia van der Meer

Ephraim Margulies, chairman, leaves Berisford's annual meeting yesterday: "If any shareholder has a question, please drop us a line and we will explain almost everything that we do."

Berisford snubs ABF on US deal

By Clare Pearson in London

S&W BERISFORD, the UK sugar processing and commodities group, snubbed its biggest shareholder yesterday when Associated British Foods attempted to question the board about a controversial US deal at the company's annual general meeting.

Small shareholders in Berisford rose to protest after directors gave short shrift to an ABF representative who raised the matter of a $640m hostile takeover bid for US food processor Universal Foods. The offer has been made by a subsidiary of High Voltage Engineering, a US company in which Berisford has a significant interest.

ABF, the milling and baking group which owns nearly 24 per cent of Berisford, is pressing the Stock Exchange to compel the company to put its involvement to the vote of shareholders. ABF says this is appropriate because of the size of the offer and its potentially onerous terms.

Berisford refuses to discuss the bid on the grounds that it is the subject of US litigation.

At yesterday's meeting, Mr Stephen Hancock, a representative of ABF, was cut short before he got his first question out. Mr Philip Aaronberg, Berisford finance director, said: "This is not the appropriate forum to discuss this matter."

Calls from small shareholders that Mr Hancock should have his say were swiftly dismissed by Mr Ephraim Margulies, Berisford chairman, with the words: "If any shareholder has a question, please drop us a line and we will explain almost everything that we do."

The Berisford board made a rapid exit after the formal business of the meeting ended.

Mr Harry Bailey, an ABF director, said three main points had been raised with the Stock Exchange: the size of the Universal bid, ABF's belief that Berisford has given unlimited indemnities to various parties in relation to the bid, and its belief that outstanding agreements with US partners of the sugar processing group mean that it could lose all control over High Voltage if two of its three current directors ceased to serve.

Shareholders approved a five-for-two share split and a change in name to Berisford International.

Plessey hits at GEC's semiconductor record

By Terry Dodsworth, Industrial Editor, in London

PLESSEY, the embattled UK electronics group, put its defence against the proposed joint bid from Britain's General Electric Company and Siemens of West Germany into overdrive yesterday with a stinging attack on GEC's record in semiconductor manufacturing.

Mr Doug Dunn, managing director of Plessey's semiconductor division, said that the company's chip business was now one of the most profitable in the world, leading many of the big US companies last year in returns on both sales and investment.

In the current year, these returns are set to go much higher, with profits on course to increase three-fold to around $22m.

Mr Dunn said that he could not give precise figures because the proposed bid was being considered by the Monopolies and Mergers Commission.

But in the following year to March 1990, the chips business is planning on profits of about $35m.

Mr Dunn has piloted Plessey's semiconductor activities through a period of rapid growth since 1981 when its sales stood at about $30m as against $120m last year.

In 1987, the group took over Ferranti's chip activities to become the only significant UK semiconductor company.

"If the bid from GEC and Siemens succeeds, it will be the beginning of the end for the UK industry."

Mr Dunn's broadside marks an attempt by Plessey to enlist UK parliamentary, Government and public support behind the concept of an independent British base in chip manufacturing.

The company is intending to make great play of the fact that semiconductors are regarded as the basic building blocks of the electronics industry, one of the key factors in the efficiency of industries such as telecommunications and defence.

Plessey, said Mr Dunn, had easily outperformed both GEC and Siemens in developing a profitable chip activity, even though the Siemens business is much larger.

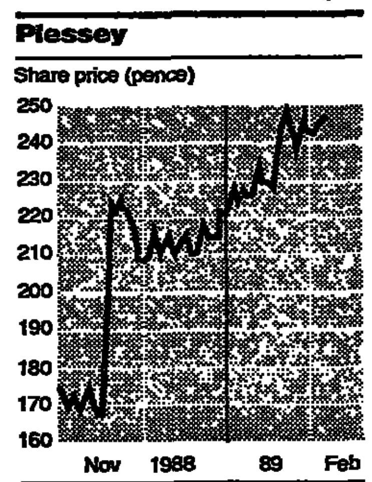
In a particularly bitter assault on GEC, he said that the company had taken the cash from the UK Government-backed Alvey Research Programme and "left before the race had finished." Plessey, by contrast, had used the same programme to develop some vital new technology.

If GEC/Siemens won the takeover battle, he added, Plessey would be carved up in a random way. "I don't think that is a future I would like to be in."

The joint Anglo-German bid, which valued Plessey at £1.7bn, was referred to the Monopolies Commission last month.

Plessey

Share price (pence)



MB moves to fend off Elders' warrant complaints

By Maggie Urry

MB GROUP, which is planning to merge its packaging business with Carnaud, a French packaging company, put forward new proposals to holders of its warrants last night. The move is an attempt to outwit Elders Investments, which holds a blocking 25.1 per cent of the warrants and is questioning whether the merger is in the best interests of shareholders.

Last week Elders Investments won a tactical victory by forcing the adjournment, until February 15, of a meeting of warrant holders held to approve changes to the warrants consequent on the merger. Elders Investments is also a 5.7 per cent shareholder in MB.

MB believed that if Elders Investments carried out its threat to vote down the proposals to warrant holders next week, the warrant holders would suffer. It is offering warrant holders, through Barings, its merchant bank, the same choices as were in the resolution.

Elders Investments said last night it could not comment on the new proposals until it had seen details today. However, there was speculation in the City that the MB move could be challenged in the courts. MB shares closed up 4p at 297p last night.

MB reiterated yesterday its conviction "that the proposals to merge Metalbox Packaging with Carnaud are in the best interests of shareholders." Shareholders will vote on the deal at a special meeting on February 24.

Elders Investments, part of Elders IXL, the Australian group best known for its Foster's lager, has said it wants to put other proposals to shareholders. One possibility is a cash bid of not less than £780m for Metalbox Packaging from Elders and some unnamed partners. The deal with Carnaud, consisting of cash and shares, is worth about £850m at the current Carnaud share price.

The new proposals to warrant holders dispense with the need for holders' approval of the changes.

They will be offered warrants in the new MB – which will consist of a cheque printing business, central heating and bathroom furniture maker, and a 25.5 per cent stake in CMB, the merged packaging company – in exchange for their existing warrants. Or they can exercise their existing warrants at a reduced subscription price until February 28.

The drawback of the new proposals is that instead of the changes going through automatically, warrant holders will have to take up the offer.

Not much sweetness and very little light

Clare Pearson on the group's reduced bid vulnerability

More than a name has changed at S&W Berisford, the UK sugar processer and commodities trader which yesterday dropped its initials and added an "International."

Cries of protest from Associated British Foods, Berisford's biggest shareholder, over the company's controversial arms-length involvement in a US takeover bid appear merely to confirm the growing security of Berisford's management.

The position of Mr Ephraim Margulies, chairman, and his team is now utterly different from that prevailing a few years ago, when Berisford struggled with a succession of hostile bids from suitors eager to get their hands on British Sugar, the beet processing subsidiary which dominates the UK sugar market and contributes about half of group profits.

Berisford was saved from one onslaught – competing bids from fellow UK sugar group Tate & Lyle and Italian agri-business giant Ferruzzi – by the Monopolies and Mergers Commission in 1986. The October 1987 crash put paid to ABF's £767m hostile offer.

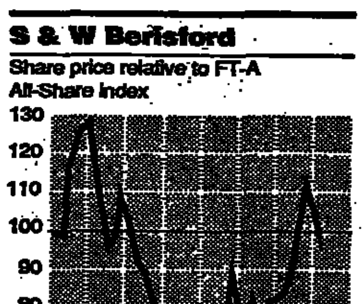
Nevertheless, most analysts figured it was only a matter of time before another takeover attempt was made. Berisford's days of independence appeared to be numbered.

Now, however, the outlook has changed. The management has brought more order to what many had considered to be an anarchic collection of trading operations.

More importantly, management can now rely on a solid chunk of loyal shares, including 15 per cent held by directors. The 6.9 per cent recently acquired by Mr Larry Goodman, chairman of Irish meat-processing concern Goodman International, is widely thought to enforce this.

S & W Berisford

Share price relative to FT-A All-Share Index



Even if ABF can persuade the Stock Exchange that Berisford's involvement in the $640m Universal Foods bid ought to be put to a vote of shareholders, the chances of the vote going its way do not look particularly strong.

Mr Michael Bourke, analyst at Prudential-Bache, sees it simply: "It looks as if ABF has been end-played."

Mr Margulies and his team can now probably count on the support of at least as many shares as ABF, which owns 23.7 per cent. This would leave ABF trying to crank up support among small shareholders and the few remaining institutional holders: an invidious position for a company which in 1987 actually won a majority of Berisford shares, but walked away without claiming its prize because of the intervening stock market crash.

ABF may hope, however, to stir up enough hostility about Berisford's handling of the matter to win the day. Certainly, the management's refusal to talk about the matter raises ghosts of the days when, as Mr David Lang of Henderson Crosthwaite puts it, Berisford followers used to worry about whether there was a secret "black hole" containing nobody-knew-what goings-on.

Slipped in as a by-the-way when Berisford announced its interim results last December, along with plans to build a straw pulp mill in East Anglia and a power station in Yorkshire, the company could hardly be said to have broadcast its involvement with the Universal Foods offer.

Berisford says the deal is merely a trading activity of its financial division and has little significance compared to the strategic thrust of the foods business. ABF, however, is worried about the potential financial risks involved in Berisford's complex agreements relating to the bid.

Mr Lang suggests that the existence of rather large potential exposures in relation to the equity base is something Berisford shareholders simply have to live with.

Off-balance sheet deals are necessary because the very shareholding structure that acts to bolster Berisford's defences also severely limit its scope for issuing new equity.

This makes it even more probable that ABF, if it could but obtain the right price, may be moving towards a position where it would rather escape from its investment - worth £192m yesterday – than persist with a situation over which it has so little control.

It is not obvious who would want to take the holding off Berisford's hands. "The opportunities that a bidder might hope to gain look well raked-over," says Mr Bourke.

Pre-tax earnings soar at Salomon

By Roderick Oram in New York

SALOMON INC. has reported sharply higher pre-tax earnings. Large profits from crude oil trading by its energy subsidiary outshone results from its Salomon Brothers securities firm which continues to be unsettled by resignations of senior executives and other management turmoil.

Fourth-quarter pre-tax profits amounted to $233m, compared with a loss of $152m a year earlier which included a $100m charge for ending a real estate project and $7m for restructuring its securities operations. Energy contributed $143m, against $4m, and securities $68m against a loss of $90m a year earlier.

Full-year pre-tax profits were $753m, against $225m, with energy contributing $245m, against $70m, and securities $486m compared with $261m.

Mr John Gutfreund, chairman, attributed the energy profits to wider margins, increased oil refining capacity, and volatile crude oil prices which gave ample opportunity for trading profits, particularly in the fourth quarter.

Special charges, including one for $180m for income tax on foreign earnings remitted to the US, left Salomon with a net fourth-quarter loss of $38m, against a net loss of $74m a year earlier when earnings were hit by the $107m of real estate and restructuring charges.

Net profits for the year after these charges were $280m, or $1.65 primary, against $142m, or 86 cents, in 1987. Revenues were $1.81bn against $1.33bn in the quarter and $6.15bn against $6bn in the year.

Salomon its costs under control last year except that compensation and benefits soared in the fourth quarter to $347m from $133m.

Cummins Engine remains in red

By Anatole Kaletsky in New York

CUMMINS ENGINE, the leading US manufacturer of diesel engines, continued to lose money in the fourth quarter, despite the boom in worldwide truck sales and the improvement in its competitive position resulting from the lower dollar.

However, its shares rose $1¼ to $64½ yesterday. The company has been considered vulnerable to a takeover since Hanson Trust, the acquisitive UK-based congolmerate, announced an 8 per cent stake in December.

Cummins' net fourth-quarter loss was $54.9m or $5.34 a share, after including a pre-tax charge of $50.5m for the disposal and restructuring of several operations around the world. The company lost $4.4m or 60 cents in the same quarter of 1987. Fourth-quarter sales increased by 15 per cent to $869m.

In operating terms, excluding special charges, interest payments and taxes, Cummins made an operating profit of $600,000, compared with one of about $400,000 a year earlier and an operating loss of $16.5m in the third quarter of 1988.

In 1988 as a whole, it lost $63.4m or $6.71, including unusual charges and gains which reduced income by $49m. This compared with a profit of $13.9m or 55 cents for 1987. Annual sales grew by 19 per cent to $3.31bn.

Cummins said factory sales of trucks in its crucial North American market increased by 12 per cent to 166,000 units in 1988 and it expected this high rate of sales to be maintained at least for the first half of 1989.

Shipments of high-horsepower engines this year would be about the same as in 1989, while shipments of the new B and C series engines would grow by 25 per cent.

The company attributed last year's poor operating results to intense competition and discounting in the North American market, as well as to the costs and "production inefficiencies" faced in meeting unexpectedly high demand.

Inland Steel unveils a spectacular recovery

By James Buchan in New York

INLAND STEEL, the Chicago-based integrated steel producer which has enjoyed a spectacular recovery in its fortunes, says it will have difficulty matching its 1988 profits this year because of limits on its capacity and higher labour and materials costs.

But the group will still invest over $300m this year to reduce manufacturing costs and improve steel quality, Mr Frank Luerssen, Inland's chairman, said. Inland is also on target later this year to start operating an advanced $400m cold-rolling mill being built with Nippon Steel at South Bend, Indiana.

The company, the fifth largest US steel producer, reported earnings of $262.1m on sales of $4.07bn last year. The vastly improved performance, achieved on the best profit margins in 15 years, was due to cost-cutting and the decision to drop low-margin steel products in favour of higher quality steels for the automotive and appliance industries.

"It will take a lot of work to turn in as much this year," Mr Luerssen said. Demand for Inland's steel should be as high as last year's 5m tons, but rising materials prices and a new labour contract are likely to put pressure on costs, he said.

Last year, Inland had to forego business because of short capacity in some products at its Indiana Harbor works in East Chicago, which is now running at a 94 per cent operating rate. However, Inland has developed a large steel distribution business (40 per cent of sales) which will balance out the cyclical peaks and troughs of steelmaking, Mr Luerssen said.

Despite Inland's prosperity, Mr Luerssen is pushing hard to maintain the system of import protection, known as voluntary restraint agreements, which is due to expire this autumn after five years. The industry is vigorously lobbying Congress and the Bush Administration to extend the so-called VRAs, which restrict imports from the European Community and 19 other countries.

Manville Trust faces cash crisis

By James Buchan

THE TRUST set up by Manville of the US to compensate victims of its asbestos business is facing a potential cash squeeze and is preparing to seek a delay in payments to thousands of sick Americans.

The Manville Trust, which last year assumed all the company's liability for asbestos-related disease, said officials had been touring the US in recent weeks trying to convince a small army of plaintiff's lawyers to accept "structured" settlements for their clients.

Mr Al Kamhi, a spokesman for the Washington-based trust, said: "The response has been pretty good. We're looking for deferred schedules and other forms of creative payment."

The threatened cash shortage is a big embarrassment to the trust, hailed last year as a well-designed solution to the deluge of asbestosis claims which bankrupted Manville, once the leading maker of asbestos fibre for building fire-protection. Lawyers warn that some claimants are so sick they will die before receiving full settlement.

The trust was initially funded with $685m but will be topped up over the next 25 years to over $2.5bn through sales of Manville stock owned by the trust and payments by the company on notes and bonds. The company, which emerged from bankruptcy and was modestly profitable last year, will also make contributions. But the earliest of the company payments will not be till next year.

GTE registers steady growth

By Roderick Oram

GTE, THE largest US telecommunications group outside the Bell system, reported higher earnings, with all three of its main businesses contributing to the growth.

Net profits for 1988 rose 9 per cent to $1.2bn or $3.58 a share, from $1.1bn or $3.29 a year earlier. Revenues were ahead 7 per cent at $16.5bn from $15.4bn.

Fourth-quarter net profits totalled $326m or 96 cents a share, against $308m or 91 cents a year earlier. Extraordinary gains from a pension settlement and real estate sales totalling $26m made the final 1987 net $334m or 99 cents. Revenues rose 6 per cent to $4.3bn from $4.1bn.

Revenues from telephone operations increased 5 per cent during the year to $11.7bn. Operating earnings decreased 6 per cent to $2.7bn, although net earnings rose 2 per cent helped by a lower tax rate.

Positive factors such as growth in the number of telephone lines, a 13 per cent rise in network usage and an 8 per cent rise in productivity were offset by increased expenses in line with an accounting change ordered by the Federal Communications Commission, tariff cuts in some states and costs for a corporate restructuring announced in the fourth quarter.

Revenues from telecommunications products and services increased 18 per cent to $2.6bn, while operating earnings rose from $52m to $106m during the year.

PepsiCo shows sharp gains

By Karen Zagor in New York

PEPSICO reports sharp gains in fourth-quarter and annual earnings which were spurred by improvements in its soft drinks, snacks and fast-food businesses.

Fourth-quarter net income rose 28 per cent, to $187.7m or 72 cents a share from $147.0m or 56 cents on revenues up 22 per cent to $4.19bn from $3.44bn.

Net income for the year rose by 28 per cent, to $762.2m or $2.90 from $594.8m or $2.26 on sales up 14 per cent to $13.01bn from $$11.37bn. The latest figures are for a 53-week year, against 52 weeks, a 17week quarter, against 16 weeks.

During the quarter, PepsiCo's sharpest profit gain came in soft drinks where operating profits rose 31 per cent on a sales increase of 30 per cent. The domestic performance was particularly strong due to continued volume growth and the impact of bottler acquisitions.

The profit improvement in snack foods was 26 per cent on a 17 per cent increase in sales. International volume was up 15 per cent, with Mexico and Spain posting double-digit gains.

Lower tax rate helps Lockheed

By Roderick Oram

A LOWER tax rate helped Lockheed, one of the largest US defence contractors, push up profits last year despite a decline in sales reflecting the phasing out of one of its biggest military projects.

Net profits from continuing operations edged ahead to $442m or $7.34 a share, from $427m or $6.50 a year earlier, on revenues of $10.59bn against $11.22bn.

Including results from discontinued operations, final net was $624m or $10.37 a share, against $421m, or $6.41.

Fourth-quarter final net was $104m or $1.75, against $134m or $2.07m including $1m profits from discontinued operations, a year earlier. Revenues were $2.98bn against $3.19bn.

The sales decline last year reflected a drop in revenues from the C5-B military cargo aircraft to $1bn from $2bn a year earlier.

Wall Street is forecasting revenues of only $100m from the programme this year. The decline in 1988 was partly offset by sales of more missiles, space systems and information systems.

US Government contracts generated 86 per cent of Lockheed's revenues last year.

Mr Daniel Tellep, chairman, said the increase last year in earnings from continuing operations largely reflected a lower tax rate.

In addition to the effect of lower C5-B sales, profits from military programmes were also hurt by higher cost sharing on development contracts, particularly one for an advanced tactical fighter aircraft.

Lockheed's backlog of funded orders slipped to $7.4bn at December 25 from $8.5bn a year earlier.

Schlumberger marks time

By James Buchan

SCHLUMBERGER, the world's largest oilfield service company, reported essentially static fourth-quarter revenues and operating profits because of renewed weakness in the US oil and gas drilling industry.

Earnings of the New York-based company, whose business has been in decline under the weight of slipping oil prices, were $118.9m or 49 cents a share for the quarter, against $315.8m or $1.15 a year earlier.

But both figures were affected by non-operating gains or losses, including a $222m profit in 1987 from the favourable settlement of a tax case. After-tax earnings from operations were reported as $96.6m in the 1988 fourth quarter, probably little changed from the 1987 performance.

Operating revenues were $1.24bn against $1.23bn.

For the full year, reported net income was $476.2m or $1.80 a share, against $352.6m or $1.27 for 1987. In addition to the fourth-quarter distortions, a $220m loss was booked in 1987 on Fairchild Semiconductor, which has since been sold.

Operating revenues rose 12 per cent to $4.92bn.

Canadian pulp groups ahead

By Robert Gibbens in Montreal

CANADA'S TWO largest pulp and paper groups, Abitibi-Price and Canadian Pacific Forest Products, reported big profit gains for 1988.

Abitibi-Price, controlled by the Reichmann Brothers of Toronto and mainly a newsprint and printing papers producer, earned C$188.3m (US$159m) or C$2.60 a share, up from C$125.7m or C$1.70 in 1987, on sales of C$3.3bn, against C$3bn.

Fourth-quarter earnings were C$45.2m or C$.62 cents a share, against C$34.8m or 47 cents a year earlier on sales of C$857m against C$786m.

Abitibi says the outlook for 1989 continues to be good for printing papers, but the picture for newsprint has become clouded by excess supply which is bringing pressure on prices. Performance in 1989 is not likely to match 1988.

Canadian Pacific Forest Products, which was formed last year from the merger of CIP and Great Lakes Forest Products, the two pulp and paper arms of Canadian Pacific, lifted 1988 net profit to C$323.4m, or C$7.36 a share, from C$214m or C$4.87. Sales were C$3bn against C$2.7bn.

Fourth-quarter profit was C$82.2m or C$1.87, against C$72.7m or C$1.65, on sales of C$749m against C$735m.

CPFP, which makes newsprint, market pulp, packaging materials, tissue and wood products, said earnings last year would have been C$33m higher but for the Canadian dollar's strength. But it benefited from lower interest costs and strength in market pulp prices.

INTERNATIONAL COMPANIES AND FINANCE

Ken Gooding and Chris Sherwell trace developments in the world resources market

MIM buys 33% of Canadian mine group

MIM HOLDINGS, the Brisbane-based multinational mining group, yesterday announced the C$50m ($42.3m) purchase of a 33 per cent stake in Granges Exploration, a Canadian exploration and mining group listed in Toronto, New York and London.

The company is describing the acquisition as its first direct move into Canadian exploration and mining in its own right, different in nature from its previous major investments in Teck and Comince.

Considerable influence will come with the purchase, because MIM will nominate six of Granges' 12 directors and have its own man as chief operating officer.

Mr Mike Muzylowski will stay on as the company's president and chief executive officer.

Granges has interests in some 80 exploration properties involving both precious and base metals, and is trying to become a developer and operator of mines. Its apparently mixed success on this front has contributed to a fall in its share price from a peak of C$19 to around C$3.70 last week.

Under its agreement with Granges, MIM is paying a small premium on this by taking up 11m shares in a private placement to its Canadian subsidiary at C$4.55 per share. The proposal is subject to the approval of Granges' shareholders.

In its most recent figures, Granges reported an operating profit of C$8.8m on sales revenue of C$35.3m for the nine months ending last September. But the group decided yesterday to take a net write-down of C$18m on its producing and non-producing properties for 1988.

Renison sparks Australian interest

THE POSSIBLE sale of a controlling 48 per cent holding in Renison Goldfields, the Australian arm of Consolidated Gold Fields of the UK, has sparked intense interest among mining companies in Australia.

The sale of Renison, like that of Newmont Mining in the US, has been promised by Minorco, the South African-controlled company, if it goes ahead with a bid for Consolidated Gold Fields following last week's clearance from the British Monopolies and Mergers Commission.

Renison is an attractive target for several reasons: it is one of the world's largest producers of mineral sands; it is a large tin-miner, and it owns one-third of the Porgera gold mine project, now awaiting a go-ahead in Papua New Guinea. On the basis of current share prices, a 48 per cent stake would cost around A$550m ($485m), a full bid more than A$1.1bn.

Watching the action closely are the Australian and Papua New Guinea Governments. At the time of Minorco's £2.9bn bid last September, Canberra said the bid had implications for South African control of supplies of titanium and zircon. Port Moresby said Renison would have to divest its Porgera stake if the bid succeeded.

In recent days, interest in a Minorco sale of Renison has been indicated by Renison's two partners in Porgera, MIM of Brisbane and Placer Pacific, part of the Placer Dome group of Canada, which would also be interested in Newmont. The two companies already have pre-emptive rights over the disposal of Renison's Porgera stake should the present or any new controlling group in Renison decide to sell it.

BHP, Australia's largest company, which is involved in resources, steel and petroleum, has also indicated an interest in Renison, should it come on the market. Western Mining, one of Australia's largest mining companies, would be expected to bid for the company as well.

One smaller company likely to evince interest would be Normandy Resources, controlled by Mr Robert Champion de Crespigny, which is currently making a A$400m bid for Poseidon, a cash-rich mining group. The company said yesterday it would want to see the details if Renison came on to the market, but agreed it would need additional financial help if it was to make a full bid.

One suggestion is that Western Mining, one of Australia's largest mining groups and currently replete with cash, would bid either directly or with Normandy/Poseidon. This speculation has been fuelled by Western Mining's purchase of a 5.7 per cent stake in Poseidon and its quick decision to accept Normandy's offer, despite a counter-bid from TNT.

Another suggestion, fanned by press reports of this controversial takeover battle, springs from the significant stakes held in both Normandy and Poseidon by Anglo American Corporation of South Africa, which with de Beers has 60 per cent of Minorco. The reports hint that Normandy is, in effect, a vehicle for Anglo interests in Australia, and that any sale of Renison by Minorco would simply disguise its own continuing control.

Australian mining analysts doubt the suggestion, and it is flatly rejected by Mr Champion de Crespigny.

Some of these issues may come up when Australia's Foreign Investment Review Board examines a separate merger plan between Poseidon and the Australian arm of Freeport McMoRan, the US mining group.

For Normandy the plan offers a chance to tie up its control of Poseidon. But it has also arisen because Freeport, like Anglo, feels it would be easier to do business in Australia's resources sector through a different type of Australian vehicle.

Base metals sector 'on a plateau of joy'

BASE metal stocks still have plenty of life left in them even though they performed exceptionally well last year, many analysts believe.

In 1988 base metal stocks outpaced most other sectors and there were some spectacular individual gains at a time when stock market conditions were generally subdued. For example, shares in both Freeport McMoRan Copper and Inco rose by 73 per cent, Phelps Dodge advanced by 67 per cent and Cominco by 62 per cent.

Shares in the sector were buoyed by record prices for most base metals, a trend which has continued strongly in the opening weeks of 1989. Since the turn of the year a stream of metal producers has reported dramatically increased and record earnings.

The purchase by RTZ of British Petroleum's mining assets for £2.4bn ($4.15bn) has reinforced a new-found confidence that the mining industry is exhibiting for the first time in many years.

Analysts suggest metal prices will stay high during at least the first half of this year and that there certainly will be no collapse in the second half.

According to Mr Andy Smith, metals analyst with UBS Phillips & Drew, prices will "remain on a plateau of joy" for the producers and that should guarantee continued good earnings.

Analysts also point out that base metal stocks have at last captured the attention of general investment funds rather than just the specialist resource funds. "These shares offer both income and capital appreciation now and are appealing to a whole new clientele," says Mr Mike Kurtanjek of James Capel's international mining team.

Warburg Securities mining specialists Euan Worthington and Jens Schneider point out that last year both Falconbridge and Inco paid special dividends as a way of dealing with exceptional earnings. Last month Aluminium Company of America (Alcoa) announced a new dividend policy and effectively set a higher standard for the sector.

"We expect a continued rerating of the shares as excellent results are reported and companies pay out a higher proportion of earnings to shareholders," they say.

The low rating of base metal stocks "will change in 1989 as the companies continue to earn huge cash flows and begin to follow the example of Falconbridge, Inco and Alcoa.

However, analysts still advise caution and some expect continued volatility in the metals market which inevitably will lead to periods of profit taking to cool down the euphoria in base metals stocks.

"We are the first to admit that when metal prices do begin to fall the shares of the producers will react negatively," say the Warburg analysts.

"Remain positive, but don't get too complacent," adds Mr John Lydall of First Marthon Securities in Toronto.

He suggests the best historical example of what might happen occurred early in 1980. During that year metals and equity prices surged during January and February only to succumb to a major sell-off in March. Subsequently many stocks did not recover until as late as the middle of 1981.

Cyprus sets net income record

CYPRUS MINERALS, which was spun off by Amoco in 1985 and is now the second-largest copper producer in the US, boosted net income last year from $26.2m or $1.01 a share on a fully-diluted basis in 1987 to a record $170m or $5.97 a share.

The Denver-based group increased copper sales from 336m lbs to 452m lbs at an average price last year of $1.12 a lb compared with 68 cents in 1987.

Cyprus also benefited from increased demand for molybdenum with sales doubling to 52m lbs last year.

Results from the gold subsidiary were below expectations because of start-up problems at two new Australian mines and operating costs were higher than expected.

Despite this, Cyprus says its gold production reached 98,000 troy ounces against 10,000 ounces in 1987.

Cyprus says the 1988 result includes after-tax gains of $25.1m from the sale of its calcium carbonate and limestone operations, partly offset by after-tax charges of $10.9m related to restructuring of some industrial minerals, coal and speciality metals operations.

In the past nine months Cyprus spent a total of $350m on nine acquisitions to become a diversified mining group which is among the non-Communist world's biggest producers of lithium, talc and molybdenum and has growing production of gold and coal.

Apart from high copper prices, acquisitions also helped lift revenues last year from $795.3m to $1.33bn.

MB Group

The following is the text of a document to be sent to Registered Holders of MB Group plc Warrants today.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the New Proposal or the action to be taken, you should immediately seek your own personal financial advice from your stockbroker or other professional investment adviser authorised under the Financial Services Act 1986.

If you have sold all your Existing Warrants, please send this document, together with the accompanying Form of Acceptance, to the stockbroker, bank or other agent through whom the sale was effected, for transmission to the purchaser.

Application has been made to the Council of The Stock Exchange for the New Warrants to be admitted to the Official List.

NEW PROPOSAL

to the holders of Warrants exercisable into Ordinary Shares of

MB Group plc

The procedure for acceptance is set out in paragraph H of the letter from Baring Brothers & Co., Limited.

For ease of reference, definitions used in the Explanatory Circular and the Explanatory Statement, both dated 9th January 1989, are also used in this document save where the context otherwise requires. This document is issued by Baring Brothers & Co., Limited on behalf of M. B. Limited and MB Group plc and has been approved by Baring Brothers & Co., Limited, a member of The Securities Association, for the purposes of the Financial Services Act 1986. Baring Brothers & Co., Limited has provided significant corporate finance services to MB Group plc in the last six months.

Part I: Letter from the Chairman of existing MB Group

MB Group plc
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Berkshire England
Telex 846445 MB HO G
Fax 0734 587078
Telephone (0734) 581177

8th February, 1989

MB Group

To the holders ("Warrant Holders") of warrants (the "Existing Warrants") in registered form, exercisable into Ordinary Shares of MB Group plc (formerly called Metal Box p.l.c., "existing MB Group") and constituted by a deed poll dated 15th July, 1986 (the "Deed Poll") by Banque Indosuez Luxembourg (the "Bank")

Dear Warrant Holder,

On 26th October, 1988 it was announced that existing MB Group is proposing a merger (the "Merger") of its worldwide packaging interests with Carnaud S.A., a leading French packaging company, to create a world class packaging business, which it is intended will be called CMB Packaging. Under the proposal M.B. Limited (to be renamed MB Group plc) ("new MB Group") will have a 25.55 per cent holding in the fully diluted equity of CMB Packaging and will also have two major core businesses in heating and bathroom products and in cheque printing and business forms which it will continue to develop with the cash recieved as part of the Merger. The Merger proposal was set out in detail in the Explanatory Circular (the "Explanatory Circular") to holders of existing MB Group Ordinary Shares. The Explanatory Circular was sent to Warrant Holders on 9th January, 1989, together with the Explanatory Statement to Warrant Holders (the "Explanatory Statement"). The Explanatory Statement contained the Notice of Meeting convened for 1st February, 1989, at which it was intended that a Resolution be put to Warrant Holders to sanction the proposal set out therein in respect of the Existing Warrants (the "Original Proposal"). As described below, the meeting was adjourned until 15th February, 1989 and will be held at 10.15 am on that date at the Ironmongers Hall, Shaftesbury Place, Barbican, London EC2.

On 31st January, 1989, the Board of existing MB Group received a letter from Elders Investments Limited ("Elders") seeking a meeting on the outline of an arrangement which it said it was considering together with unspecified partners. According to this letter, Elders and these partners were considering proposals to acquire full control of Metalbox Packaging for £780 million in cash payable to MB Group shareholders. Realisation of the strategic aims of existing MB Group has never included the sale of the packaging interests. Such action compares very unfavourably with the benefits to be gained by shareholders through the creation of the Merger with Carnaud to form CMB Packaging, over which new MB Group will exercise joint control.

Hence this vague approach by Elders and its unnamed partners was rejected totally by the Board of existing MB Group.

At the Warrant Holders' meeting on 1st February, 1989, a representative of Elders presented a number of different outline suggestions, including the distribution to existing MB Group Ordinary Shareholders of all of the CMB Packaging Shares and the £240 million in cash to be received under the merger proposals thereby giving up any participation by new MB Group in the future development of CMB Packaging. Elders' representative disclosed that proxies were held by Elders in respect of Warrants exceeding 25 per cent of the total number in issue, and proposed that the meeting be adjourned to not earlier than 21st February, 1989 stating that otherwise they would vote against the Original Proposal. In the face of this threat from Elders, which would have resulted in Warrant Holders being unable to take advantage of the reduced subscription price, the Chairman agreed to put a modified adjournment resolution to the meeting. With the consent of Warrant Holders the meeting was adjourned to 15th February, 1989.

The Board of existing MB Group believes that Elders' outline suggestions reflect a fundamental misunderstanding of the proposals announced by existing MB Group on 26th October, 1988 for the merger of Metalbox Packaging with Carnaud. Under these proposals, new MB Group will exercise joint control of CMB Packaging which the Board of existing MB Group believes has substantial opportunities for growth. New MB Group, which will be established as part of the proposals, also will have two strong businesses with adequate resources to develop further their potential in the coming years. The Board of existing MB Group remains convinced that these proposals are in the best interests of shareholders.

The overwhelming majority of Warrant Holders who returned Forms of Proxy prior to the Warrant Holders' meeting had directed their proxies to vote in favour of the Original Proposal and the Board of MB Group considers that, without the intervention of Elders, the Original Proposal would be approved. **The Board of existing MB Group continues to believe that the Original Proposal is in the best interests of Warrant Holders and continues to recommend you to vote in favour of the Extraordinary Resolution at the adjourned meeting of Warrant Holders.**

However, it will not be possible for the Extraordinary Resolution to be passed at any adjourned meeting if Elders votes against it, and **the Board of existing MB Group is concerned that Warrant Holders' interests should be protected given the position taken by Elders.** Accordingly existing MB Group and new MB Group have agreed to make available to Warrant Holders a new proposal (the "New Proposal") described more fully below.

THE NEW PROPOSAL

The New Proposal is designed to offer Warrant Holders the benefit of the Original Proposal, with which the Board sought, so far as possible, to achieve comparability of treatment between Warrant Holders and holders of existing MB Group Ordinary Shares. The New Proposal and the action to be taken is set out in detail in the letter from Baring Brothers & Co., Limited ("Barings") below. In summary, the New Proposal provides for:

- an offer (the "Offer") by Barings, on behalf of new MB Group, to exchange your Existing Warrants for New Warrants; and
- an offer by Barings, on behalf of existing MB Group, of a temporary reduction in the subscription price of your Existing Warrants.

The New Proposal provides you with a choice of either accepting the exchange of your Existing Warrants for New Warrants or exercising your Existing Warrants at the reduced subscription price.

The New Proposal differs from the Original Proposal in that:

- **the temporary reduction in the subscription price is unconditional; and**
- **the Offer gives you the opportunity to exchange your Existing Warrants for New Warrants in the event that the Original Proposal fails to gain approval at the adjourned meeting.**

If you elect to accept the Offer, you should nevertheless ensure, if you have not already done so, that you vote in favour of the Original Proposal at the adjourned meeting.

The Board has asked Swiss Bank Corporation to review the terms of the New Proposal and its opinion is set out below.

THE OFFER

The Offer is to exchange Existing Warrants exerciseable into existing MB Group Ordinary Shares for New Warrants exerciseable into new MB Group Ordinary Shares. New Warrants issued persuant to the Offer will be a direct obligation of new MB Group and will not be issued by the Bank.

The Existing Warrants currently provide for subscription for existing MB Group Ordinary Shares at a price of 192p. To take account of the value to be received by holders of existing MB Group Ordinary Shares, who will receive (in addition to new MB Group Ordinary Shares) shares in CMB Packaging, the subscription price of the New Warrants will be reduced from 192p, and the number of New Warrants will be increased.

In order to achieve, as far as possible, a fair subscription price for the New Warrants, the date of establishing the subscription price of the New Warrants has been set as late as practicable. To allow listing particulars for new MB Group to be finalised on Monday, 13th March, 1989, the subscription price of the New Warrants and the number of New Warrants will be set by reference to prices at the close of business on Friday, 10th March, 1989 (or, in the event that any of the relevant information is not published in respect of that day, the first preceding day in respect of which all such information shall have been published).

The subscription price of the New Warrants and the number of New Warrants will be determined by applying the formulae set out in the Original Proposal and repeated in the following letter from Barings. These have been based upon the formulae contained in the Deed Poll providing for adjustments in the event of a capital distribution being made by existing MB Group to holders of existing MB Group Ordinary Shares. An illustration of the application of the formulae is contained in the letter from Barings set out below.

TEMPORARY REDUCTION OF SUBSCRIPTION PRICE OF EXISTING WARRANTS

The New Proposal provides that the subscription price of the Existing Warrants is reduced from and including the date hereof by 35p to 157p, provided that exercise takes place on or before 20th February, 1989. The price reduction seeks to compensate you for early exercise of your Existing Warrants, if you wish to follow this route. **If you wish to exercise your Existing Warrants at the reduced subscription price you should ensure that a Warrant Exercise Notice and payment have been received by a Receiving Agent by 3.00 pm (London Time) on 20th February, 1989.**

Holders of Existing Warrants who exercise and are entered on the register of existing MB Group Ordinary Shares ("the Register") prior to the Preliminary Record Date will be entitled to vote their existing MB Group Ordinary Shares at the Court Meeting and the Extraordinary General Meeting of existing MB Group to be held on 24th February, 1989 and will participate in the Scheme. In order to ensure that you appear on the Register you should ensure that a Warrant Exercise Notice and payment have been received by a Receiving Agent by 3.00 pm (London Time) on 20th February, 1989.

Full details of the Scheme are included in the Explanatory Circular. You may obtain Forms of Proxy for the Court Meeting and the Extraordinary General Meeting from existing MB Group's registrars (National Westminster Bank PLC, P.O. Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH) or from Receiving Agents for the Existing Warrants.

OPINION OF SWISS BANK CORPORATION

Swiss Bank Corporation has reviewed the New Proposal and considers that the temporary reduction of subscription price and the basis on which the subscription price of the New Warrants and the number of New Warrants per Existing Warrant is to be established are fair and reasonable to Warrant Holders.

RECOMMENDATION

The Directors of existing MB Group, who have been advised by Baring Brothers & Co., Limited, consider that the terms of the New Proposal are fair and reasonable and recommend all Warrant Holders either to accept the Offer or to exercise their Existing Warrants to take advantage of the temporary reduction in the subscription price.

The Board of existing MB Group believes that the Merger represents a significant step forward for existing MB Group, its employees and its shareholders. I believe that the New Proposal made to you offers you comparable treatment to that proposed for holders of existing MB Group Ordinary Shares and I have no hesitation in commending it to you.

Yours sincerely,

Brian Smith

Brian Smith
Chairman

THE ACTION YOU SHOULD TAKE IS SET OUT IN PARAGRAPH H OF THE LETTER FROM BARINGS.

Registered office Caversham Bridge House Waterman Place Reading RG1 8DN
Registered in England No 178090

Part II: Letter from Barings

BARINGS
(A Member of TSA)

Baring Brothers & Co., Limited
8 Bishopsgate, London EC2N 4AE

8th February, 1989

To the holders ("Warrant Holders") of warrants (the "Existing Warrants") in registered form, exercisable into Ordinary Shares of MB Group plc (formerly called Metal Box p.l.c., "existing MB Group") and constituted by a deed poll dated 15th July, 1986 (the "Deed Poll"), by Banque Indosuez Luxembourg (the "Bank").

Dear Warrant Holder,

On 9th January, 1989 existing MB Group put forward a proposal (the "Original Proposal") on behalf of the Bank to Warrant Holders.

The terms of the Original Proposal are set out in full in an Explanatory Statement dated 9th January, 1989 (the "Explanatory Statement"). The Original Proposal required approval by way of an Extraordinary Resolution at a meeting of Warrant Holders convened on 1st February, 1989 in accordance with the terms and conditions of the Existing Warrants and the Third Schedule to the Deed Poll. As described in the Chairman's Letter, the Meeting of the Warrant Holders was adjourned to 15th February, 1989.

On 7th February, 1989 a new proposal (the "New Proposal") was announced to enable Warrant Holders to receive the benefits of the Original Proposal. The New Proposal explained more fully in this letter comprises:

(i) an offer by Barings, on behalf of existing MB Group, of a temporary reduction in the subscription price of the Existing Warrants; and

(ii) an offer by Barings, on behalf of new MB Group, to exchange your Existing Warrants for New Warrants.

References herein to "sterling", "pounds", "£", "pence" and "p" are to the currency of the United Kingdom and references to "French Francs" and "FF" are to the currency of the Republic of France.

A. BACKGROUND

It is proposed that existing MB Group will merge its worldwide packaging interests with Carnaud to form the CMB Packaging Group in the manner more fully set out in the Explanatory Circular.

Following the Merger, M.B. Limited (to be renamed MB Group plc) ("new MB Group") will have a 25.55 per cent holding in the fully diluted equity of CMB Packaging. New MB Group will participate jointly in the development of CMB Packaging through a shareholders' agreement with Compagnie Générale d'Industrie et de Participations, a major French industrial holding company, which will have an equal interest. New MB Group will also have two major core businesses, in heating and bathroom products and in cheque printing and business forms, which it will continue to develop with the cash received as part of the Merger.

The implementation of the Merger is subject to the approval of a scheme of arrangement (as described in the Explanatory Circular) (the "Scheme") by the holders of existing MB Group Ordinary Shares and by the High Court of Justice in England. If approval is granted, the Scheme will take effect on the Effective Date, which is expected to be 1st April, 1989.

If the Scheme becomes effective holders of existing MB Group Ordinary Shares will receive:

- one new MB Group Ordinary Share for each existing MB Group Ordinary Share; and
- one new CMB Packaging Share (worth, at close of business on 3rd January, 1989, and on the basis described in the Explanatory Circular, £54.83) for a number of existing MB Group Ordinary Shares between 75 and 85*.

** The exact entitlement within this range will depend on whether existing MB Group's convertible bondholders, Warrant Holders and option holders decide to exercise their rights to acquire existing MB Group Ordinary Shares prior to the Preliminary Record Date.*

On the Effective Date existing MB Group will become a subsidiary of Carnaud, and will cease to be a listed company.

Application will be made for new MB Group Ordinary Shares to be listed on the International Stock Exchange in London ("The Stock Exchange").

B. THE NEW PROPOSAL

(i) Temporary Reduction of Subscription Price

On behalf of existing MB Group, we, Barings, hereby offer Warrant Holders the right unconditionally to exercise their Existing Warrants at a subscription price of 157 pence for each existing MB Group Ordinary Share for the period from and including the date hereof until 3.00 pm (London Time) on 20th February, 1989.

(ii) The Offer of New Warrants for Existing Warrants

On behalf of new MB Group, we, Barings, hereby offer (the "Offer") to acquire on the terms and conditions set out in this document all the Existing Warrants on the following basis:

For each Existing Warrant	The number of New Warrants resulting from *the formula set out below.*

The Offer is conditional upon:

(a) the Effective Date of the Scheme occurring on or before 1st May, 1989. New MB Group reserves the right to extend the date for satisfaction of the condition;
(b) the New Warrants being admitted to the Official List of The Stock Exchange; and
(c) the Original Proposal not becoming effective.

The Offer is subject to the further terms set out in the Schedule 1 of this document.

Application has been made for the New Warrants to be listed on the Stock Exchange.

The terms and conditions of the New Warrants will be substantially in the form of the terms and conditions set out in Schedule 2 of this document which are substantially in the same form as the terms and conditions of the Existing Warrants, save that:

(i) the New Warrants will be direct obligations of new MB Group;
(ii) the New Warrants will be exercisable into new MB Group Ordinary Shares; and
(iii) the subscription price of the New Warrants will be determined in accordance with the subscription price *formula* set out below.

Subscription Price Formula

The subscription price of the New Warrants will be determined as follows:

$$\text{Subscription price (in pence)} = 192 \times \frac{A - B}{A}$$

Where:

192* = subscription price in pence for the Existing Warrants.

A = The arithmetic mean of the quotations in pence of one existing MB Group Ordinary Share on the Determination Date (as defined below) as published in the Daily Official List of The Stock Exchange.

B = The value in pence of the Carnaud Shares or a fraction thereof to be issued under the Scheme of Arrangement directly to holders of existing MB Group Ordinary Shares which is attributable to one existing MB Group Ordinary Share, based upon:

(i) the closing price expressed in French Francs per Carnaud Share on the Determination Date, as published in the Cote Officielle of the Société des Bourses Françaises;
(ii) the middle market closing spot exchange rate on the Determination Date for French Francs against Sterling, as reported by the *Financial Times*;
(iii) a total of 4,400,350 shares of CMB Packaging (the intended new name of Carnaud) to be issued directly to holders of existing MB Group Ordinary Shares;
(iv) the total number of existing MB Group Ordinary Shares in issue as at the Determination Date.

The subscription price of the New Warrants will be determined by Swiss Bank Corporation on the basis of the above formula and will be rounded down to the nearest 1p.

Number of New Warrants

The number of New Warrants to be offered in exchange for one Existing Warrant will be determined by applying the following formula:

$$\text{Number of New Warrants for each Existing Warrant} = \frac{192}{SP}$$

Where:

192* = subscription price in pence of the Existing Warrants.

SP = subscription price in pence of the New Warrants.

Fractions of a New Warrant will not be issued but all such fractions will be aggregated and sold in the market. The net proceeds will be paid to the Warrant Holders entitled thereto, save that amounts of less than £2 will be retained for the benefit of new MB Group.

** If the subscription price of the Existing Warrants shall be adjusted pursuant to the Conditions of the Existing Warrants (for the avoidance of doubt, other than the adjustment referred to herein) after the date hereof but before the Determination Date, this figure will be adjusted accordingly.*

Determination Date

For the purposes of this document, the "Determination Date" means 10th March, 1989 or, in the event that any of the information referred to above is not published in respect of that day, the first preceding day in respect of which all such information shall have been published.

Illustration

Using an existing MB Group Ordinary Share price of 293 pence, a Carnaud Share price of FF601, an exchange rate for French Francs against Sterling of 11.0825, and assuming the total number of existing MB Group Ordinary Shares in issue to be 334.4 million (being the applicable amounts on 6th February, 1989, the last practicable date before the printing of this document), the above formulae would provide a subscription price of the New Warrants of 145 pence, and Warrant Holders accepting the Offer would receive 1.3241 New Warrants for each Existing Warrant.

This is purely by way of an illustration and should not in any way be construed as the subscription price of the New Warrants, which will be calculated by reference to the share prices and exchange rates ruling on the Determination Date.

Notice will be given of the subscription price of the New Warrants and the number of New Warrants to be issued in exchange for each Existing Warrant in accordance with the terms and conditions of the Existing Warrants as soon as practicable after the Determination Date.

Derivation of Formulae

The formulae used in determining the subscription price of the New Warrants and the number of New Warrants to be issued are the same as those set out in the Original Proposal. These formulae are based upon the formulae contained in the Deed Poll for the Existing Warrants providing for adjustment of the subscription price and for the issue of additional warrants in the event of a capital distribution by existing MB Group to holders of existing MB Group Ordinary Shares.

C. TAX

As under the Original Proposal, on exchange, Warrant Holders accepting the Offer and subject to United Kingdom Taxation on Capital Gains will be treated as having disposed of their Existing Warrants. This may, depending on their individual circumstances, give rise to a chargeable gain (or an allowable loss). The exercise by Warrant Holders of their Existing Warrants (including the exercise thereof at 157 pence per Existing Warrant) would not give rise to a disposal for the purposes of United Kingdom Taxation on Capital Gains.

D. EXCHANGE OF WARRANTS

If the Offer becomes unconditional, the exchange of New Warrants for Existing Warrants will be effective as at the Effective Date. The registrar for the New Warrants will post New Warrant certificates to each registered Warrant Holder accepting the Offer as soon as practicable thereafter.

E. DOCUMENTS AVAILABLE FOR INSPECTION

Documents described in the Explanatory Statement as being available for inspection remain available for inspection. Copies of the following documents are available for inspection at the offices of Barings at 8 Bishopsgate, London EC2, during normal business hours on any weekday (Saturdays and Public Holidays excepted) for so long as the Offer remains open for acceptance:

(i) the Deed Poll constituting the Existing Warrants;
(ii) the Option Agreement relating to the Existing Warrants;
(iii) the form of the new Deed Poll (subject to completion and amendment) which it is proposed will be executed by new MB Group constituting the New Warrants.

Copies of the following documents may be obtained from Barings and from the specified offices of the Warrant Registrar and the Receiving Agents for the Existing Warrants:

(i) the Explanatory Statement dated 9th January, 1989;
(ii) the Explanatory Circular dated 9th January, 1989; and
(iii) this document.

The specified offices of the Warrant Registrar and the Receiving Agents are set out below.

F. RESTRICTION OF DISTRIBUTION

The Existing Warrants and existing MB Group Ordinary Shares have not been registered, and the New Warrants and new MB Group Ordinary Shares have not been and will not be registered, under the Securities Act of 1933 of the United States. The Offer shall not be deemed to have been made in jurisdictions where the making of such Offer is prohibited by applicable law.

G. SPECIFIED OFFICES FOR EXISTING WARRANTS

WARRANT REGISTRAR
Banque Indosuez Luxembourg
39 Allée Scheffer
L-2520 Luxembourg

RECEIVING AGENTS

Banque Indosuez Luxembourg	Bankers Trust Company
39 Allée Scheffer	Dashwood House
L-2520 Luxembourg	69 Old Broad Street
	London EC2P 2EE

H. ACTION TO BE TAKEN

If you wish to exercise your Existing Warrants at the reduced subscription price:

- **If you are the registered holder of Existing Warrants, you need to complete a Warrant Exercise Notice in the form enclosed and to make arrangements for payment as set out in the notice. You should note that the Warrant Exercise Notice, the relative warrant certificate, and payment in cleared funds must be received by a Receiving Agent by 3.00pm (London Time) on 20th February, 1989.**
- **If you hold your Existing Warrants through the Euroclear System or CEDEL S.A. you should give instructions to Euroclear or CEDEL to exercise and to debit your account. You will need to supply a name and address for registration of the existing MB Group Ordinary Shares issued on exercise.**

If you wish to accept the Offer:

- **If you are the registered holder of Existing Warrants you must complete and sign the accompanying Form of Acceptance for New Warrants in accordance with the instructions contained therein. You should note that the Form of Acceptance and relative warrant certificate must be received by Barings by 3.00pm (London Time) on 20th February, 1989.**
- **If you hold your Existing Warrants through the Euroclear System or CEDEL S.A. you should give instructions to Euroclear or CEDEL to arrange for the Offer to be accepted in relation to your Existing Warrants.**

Yours faithfully,
for BARING BROTHERS & Co., Limited.

J. R. C. Lupton
Director

Registered office 8 Bishopsgate London EC2N 4AE
Registered in England No 32813

SCHEDULE 1
(Further Terms of the Offer)

The Offer is subject to the following further terms:

1. Acceptances of the Offer will be irrevocable. Receipt of acceptances will not be acknowledged. New MB Group reserves the right to treat acceptances of the Offer as valid although not accompanied by the relative warrant certificate(s) and/or other document(s) of title or otherwise not in order.
2. Except in so far as it may be totally withdrawn and every person released from any obligation incurred thereunder, the Offer will remain open for acceptance until 20th February, 1989. New MB Group reserves the right to extend, vary or close the Offer. If the Offer is extended, varied or closed notice of such extension, variation or closing will be sent to registered holders of Existing Warrants in writing and will be advertised in the Financial Times.
3. The Offer will lapse if conditions (a) and (b) in paragraph B (ii) of the letter from Barings have not been satisfied by 1st May, 1989 or such later date as new MB Group may determine or if the Original Proposal becomes effective.
4. If sufficient acceptances of the Offer are received new MB Group intends to use the powers conferred by Sections 428 to 430 of the Companies Act 1985 to acquire compulsorily any outstanding Existing Warrants. These Sections allow an offeror, whose offer for securities of a particular class in another company has been accepted by the holders of at least 90 per cent in nominal value of the class of security involved, to acquire the remaining securities compulsorily on the same terms.
5. All communications, notices, certificates and remittances to be delivered by or sent to or from Existing Warrant Holders will be delivered by or sent to or from such Holders at their risk.
6. The instructions on the Form of Acceptance form an integral part of the Offer.

SCHEDULE 2
(To be printed on the Reverse of Warrant Certificates)

CONDITIONS

1. (A) In these Conditions, unless there is something in the subject matter or context inconsistent therewith, the words and expressions set out below shall, subject to Condition 1(B), have the following meanings:—

"Employees" means employees (including directors holding executive office) of MB Group plc or its Subsidiaries;

"Exercise Date" means the business day in London and Luxembourg next following the date on which the Warrant is duly exercised in accordance with Condition 2 (provided that the cheque tendered in payment of the Subscription Price in respect of the relevant Warrant is cleared on first presentation) and, if such cheque is not so cleared, the date on which such payment is duly made as provided in these Conditions;

"Form of Nomination" means a document in a form approved by MB Group plc to be completed and executed by any person to whom Shares are to be allotted pursuant to exercise of a Warrant other than the Warrant Holder;

"specified offices" means the offices of the Warrant Registrar and the Receiving Agents, as the case may be, specified below or such other offices as may from time to time be notified to Warrant Holders in accordance with Condition 11;

"Shares" means the ordinary shares of 25p each in the capital of MB Group plc as authorised from time to time and all other (if any) stock or shares from time to time and for the time being ranking pari passu therewith and all other (if any) shares or stock resulting from any sub-division, consolidation or re-classification of Shares;

"Subscription Period" means the period commencing on the date hereof and expiring on 15th July, 1991 (or, if that is not a business day, the preceding business day) or such later date as MB Group plc may in its absolute discretion determine and as shall have been notified to Warrant Holders in accordance with Condition 11;

"Subscription Price" means the amount payable by a Warrant Holder in respect of the Share for which the holder is entitled upon exercise of the Warrant, such amount being ● pence per Share or such other amount as may for the time being be applicable in accordance with the provisions contained herein;

"Subsidiary" shall have the meaning ascribed thereto by Section 736 of the Companies Act 1985 of Great Britain;

"Warrant" means the right during the Subscription Period to require MB Group plc to issue and allot to the registered holder, one Share, granted by MB Group plc to Warrant Holders pursuant to the Deed Poll, or such of those rights as are for the time being outstanding; and

"Warrant Exercise Notice" means a notice substantially in the form set out on each Warrant Certificate and/or such other form as may be required by MB Group plc for exercise of the Warrants, with the approval of the Receiving Agents, in order to comply with applicable legal or regulatory requirements.

(B) Words and expressions defined in the Deed Poll shall, unless there is something in the subject matter or context inconsistent therewith, have the same meaning in these Conditions as therein defined.

(C) Unless the context otherwise requires terms importing the singular number only shall include the plural and vice versa and terms importing persons shall include firms and corporations and terms importing one gender only shall include the other gender.

(D) In giving any certificate or making any adjustment hereunder, the Auditors shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decision shall be conclusive and binding on MB Group plc and Warrant Holders.

2. (A) Each Warrant may be exercised at any time during the Subscription Period by delivery of the Warrant Certificate relating thereto to any of the specified offices of any of the Receiving Agents during normal business hours on any day on which banks and foreign exchange markets are open for business in the centre in which the relevant Receiving Agent has its specified office with a Warrant Exercise Notice duly completed and executed (together, if the Shares are required to be allotted to a person or persons other than the Warrant Holder, with a Form of Nomination duly completed and executed by such person(s)) and accompanied by payment as hereinafter provided. Such exercise shall be irrevocable and must be made subject to, and in compliance with, any applicable fiscal and other laws and regulations for the time being in force and upon payment of any taxes, duties and other governmental charges payable by reason of such exercise (other than United Kingdom taxes and duties imposed on MB Group plc).

(B) Payment by a Warrant Holder on the exercise of one Warrant shall be made by payment in sterling by cheque drawn on a bank in the United Kingdom and Channel Islands for the full amount of the Subscription Price in favour of MB Group plc.

(C) A Warrant Holder will be entitled upon exercise as aforesaid to require MB Group plc to issue and allot to the Warrant Holder one Share at a price per share equal to the Subscription Price in force on the relevant Exercise Date.

3. (A) On due exercise of any Warrant, MB Group plc will, within 14 days after the Exercise Date, allot one Share to the Warrant Holder, or as he shall direct in accordance with the above provisions, provided that if the period for settlement of dealings on The Stock Exchange is shortened so that the said period of 14 days would (or could) have the effect of resulting in allotment being made too late to enable due settlement of the transaction for the sale of the Share so allotted which is effected on the Exercise Date, then such period shall be shortened to such period as MB Group plc may agree.

(B) All Shares so allotted shall be fully paid and shall rank pari passu in all respects with the fully paid Shares in issue on the Exercise Date, including the right to participate in full in all dividends and distributions paid or made on the Shares after the Exercise Date, except that the Shares so allotted will not rank for any dividend or other distribution which has previously been announced, declared, recommended or resolved by the Directors of MB Group plc or by MB Group plc in general meeting to be paid or made, if the record date for such dividend or other distribution is prior to the Exercise Date and notice of the intended dividend or other distribution and of the record date shall have been given in writing to The Stock Exchange prior to the Exercise Date.

(C) MB Group plc will not later than one month after the allotment of the relevant Shares issue a share certificate in the name of the person stated in the Warrant Exercise Notice and/or Form of Nomination and send such certificate to such person at the address (which must be outside the United States of America, its territories and possessions) stated in the said Warrant Exercise Notice and/or Form of Nomination or otherwise as directed in accordance therewith, by first class post at the risk of the person entitled thereto.

4. (A) The Subscription Price shall from time to time be adjusted in accordance with the provisions of the Deed Poll and so that if the event giving rise to such adjustment shall be such as would be capable of falling within more than one of the sub-paragraphs (i) to (vi) of this paragraph of this Condition it shall fall within the first of the applicable sub-paragraphs to the exclusion of the remaining sub-paragraphs:—

(i) If and whenever there shall be an alteration in the nominal value of the Shares as a result of a consolidation or sub-division.

(ii) If and whenever MB Group plc shall issue (other than for full consideration in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of reserves or profits.

(iii) If and whenever MB Group plc shall make any capital distribution to holders (in their capacity as such holders) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries.

(iv) If and whenever MB Group plc shall offer to all holders of Shares new Shares for subscription by way of rights, or shall grant to all holders of Shares any options or warrants to subscribe for new Shares, at a price which is less than the market price (as defined below) at the date of the announcement of the terms of the offer or grant or the record date therefor (whichever is the later).

(v) (a) If and whenever MB Group plc or, with the consent or at the request of MB Group plc in writing, any other company shall issue wholly for cash any securities (excluding the issue of options and warrants granted to Employees pursuant to any employee share purchase, option or incentive scheme and securities issued on exercise thereof) which by their terms are convertible into or exchangeable for or carry rights of subscription for Shares, and the consideration per Share receivable therefor by MB Group plc upon conversion, exchange or subscription is less than the market price at the date of the announcement of the terms of issue of such securities.

(b) If and whenever the rights of conversion, exchange or subscription attached to any exchangeable securities of the type referred to in sub-paragraph (v) (a) above are modified (otherwise than pursuant to their terms) so that the consideration for each Share receivable by MB Group plc upon conversion or exchange of, or upon exercise of such rights of subscription attached to, such securities shall be less than the market price at the date of announcement of the proposal to modify such rights of conversion, exchange or subscription.

(vi) If and whenever MB Group plc shall issue wholly for cash any Shares (other than Shares issued on exercise of any options, Warrants or other rights to subscribe for Shares or Shares issued to Employees pursuant to any employee share purchase, option or incentive scheme) at a price per Share which is less than the market price current at the date of the announcement of the terms of such issue.

(C) No adjustment shall be made to the Subscription Price where the adjustment would be less than one per cent of the Subscription Price then in effect. On any adjustment, the Subscription Price shall be rounded down to the nearest one penny. Any adjustment not required to be made, and any amount by which the Subscription Price has been rounded down, shall be carried forward and taken into account on the next subsequent adjustment.

(D) Whenever the Subscription Price is adjusted in accordance with this Condition, MB Group plc shall issue, for no payment, additional Warrants to each Warrant Holder at the same time as such adjustment takes effect. The number of additional Warrants to which a Warrant Holder shall be entitled shall be the number of existing Warrants held by him multiplied by the following fraction:

$$\frac{X - Y}{Y}$$

where:—

X is the Subscription Price immediately before the adjustment; and

Y is the Subscription Price immediately after the adjustment.

Fractions of a Warrant will not be issued but all such fractions will be aggregated and sold in the market. The net proceeds will be paid to the Warrant Holders entitled thereto, save that amounts of less than £2 will be retained for the benefit of MB Group plc. Warrant certificates for such additional Warrants will be issued within 21 days of the said adjustment taking effect.

5. *The provisions for convening meetings of Warrant Holders to consider any matter* affecting the interest of Warrant Holders, including the modification by Extraordinary Resolution of the terms and conditions governing the Warrants, shall be as set out in the Third Schedule to the Deed Poll. An Extraordinary Resolution duly passed in accordance with the provisions of the Third Schedule to the Deed Poll at any meeting of the Warrant Holders shall be binding on all Warrant Holders, whether present or not.

6. Should any Warrant Certificate be mutilated, defaced, lost, stolen or destroyed it may be replaced at the specified office of the Warrant Registrar upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Warrant Registrar and MB Group plc may reasonably require. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

7. Title to a Warrant shall be transferable in any usual or common form or in any other form which may be approved by MB Group plc in units or multiples of one Warrant. MB Group plc may deem and treat the registered holder of a Warrant as the absolute owner thereof for all purposes and shall not be affected by any notice to the contrary (except as ordered by a court of competent jurisdiction or required by law) and shall not (except as aforesaid) be bound to recognise any equitable or other claim to an interest in such Warrant. Transfers of Warrants may be effected by delivery of the Warrant Certificate to the specified office of the Warrant Registrar or of any Receiving Agent with a completed transfer executed by the Warrant Holder, without charge, but upon (i) payment of any taxes, duties and other governmental charges and (ii) the Warrant Registrar or Receiving Agent (as the case may be) being satisfied with the evidence of title and identity of the person requesting transfer and of due execution of the transfer and subject to such reasonable regulations as the Warrant Registrar or the Receiving Agent and, in each case, MB Group plc may prescribe. The Warrant Registrar or Receiving Agent (as the case may be) will, within five business days of such delivery, deliver at its specified office to the transferee or (subject to any applicable laws and regulations) despatch by mail (at the risk of the transferee) to such address as the transferee may request, a new Warrant Certificate in respect of the Warrants transferred. In the case of transfer of some only of the Warrants represented by the Warrant Certificate, a new Warrant Certificate in respect of the balance of the Warrants will be so delivered or despatched without charge to the transferor.

8. The initial Warrant Registrar will be [to be appointed] and the initial Receiving Agents will be [to be appointed] and [to be appointed] at their specified offices (at the date *hereof) set out below. MB Group plc has the right to terminate the appointment of the* Warrant Registrar or any Receiving Agent or to appoint other or further Receiving Agents provided that it will at all times maintain a Warrant Registrar [with a specified office in the United Kingdom] and a Receiving Agent with a specified office in Luxembourg. Not less than 30 days' notice of any such termination or appointment shall be given by MB Group plc to the Warrant Holders in accordance with Condition 11.

9. MB Group plc has undertaken in the Deed Poll to pay any United Kingdom stamp, issue, registration or similar taxes and any capital duties imposed in the United Kingdom in connection with the issue of Shares on exercise of the Warrants.

10. All notices to be given hereunder to the Warrant Registrar or a Receiving Agent shall be delivered at, or mailed by pre-paid airmail to, the specified office for the time being of such person and shall be deemed to have been given upon delivery or, in the case of mailing, upon receipt thereof.

11. All notices to be given to Warrant Holders pursuant to these Conditions will be duly given if published in a leading London daily newspaper with circulation in Europe (which is expected to be the *Financial Times*) or, if publication in London is not practicable, in another newspaper in the English language with general circulation in Europe. Such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication. A copy of each such notice will, on the date of publication or, if published more than once, on the date of first such publication, be posted to each Warrant Holder (or to the first-named of joint holders) at his address appearing in the Warrant Register.

12. Warrant Holders are deemed to have notice of all the provisions of the Deed Poll and such provisions are binding on them. Copies of the Deed Poll will be available for inspection at the specified office of the Warrant Registrar and each Receiving Agent.

13. The Warrants are governed by, and shall be construed in accordance with, the laws of England.

SPECIFIED OFFICES

WARRANT REGISTRAR
[to be appointed]

RECEIVING AGENTS
[to be appointed] [to be appointed] "

MB Group

Romiti steps down from Snia post

By Alan Friedman in Milan

MR CESARE Romiti, the outspoken managing director of Fiat who took control of the group's car company following the ousting last November of Mr Vittorio Ghidella, yesterday gave up his post as chairman of Snia-BPD, the Fiat-controlled chemicals, missile components, munitions and textiles concern.

Mr Romiti cited his growing responsibilities at Fiat as the reason for stepping down from the Snia job; a similar explanation was given last December when he gave up his position as chairman of Gemina, the financial vehicle that is effectively controlled by Fiat.

In the case of Gemina Mr Romiti's successor was Giampiero Pesenti, a business ally of Fiat's. The man named to replace Mr Romiti at Snia yesterday is Mr Antonio Coppi, the 73-year-old chairman of Rizzoli-Corriere della Sera, the publishing group majority owned by Gemina.

Mr Romiti's influence will undoubtedly still be felt at Snia, where Mr Carlo Callieri, a senior Fiat executive and aide to Mr Romiti, was named vice-president yesterday. Mr Maurizio Romiti, the Fiat chief's son and an executive at Mediobanca, remains a member of the Snia board.

Snia recorded a L30.5bn ($22.2m) net profit on L2,432bn of turnover in 1987.

Perrier set to sell Lindt stake to Swiss parent

By George Graham in Paris

PERRIER, the French mineral water and cheese group, is on the point of selling its share in the French chocolate maker Lindt back to the Swiss parent, Lindt und Sprüngli.

The deal is still subject to the approval of the French government, but if completed it will mark a further step in Perrier's concentration on its main market sectors of mineral water, with the Perrier and Contrexeville brands, and cheese, with Roquefort, and withdrawal from other peripheral markets.

The group last year sold Pastilles Vichy, the cough drops company, to Warner-Lambert, the US health care group, and earlier this year sold its milk operations, including a share in the Lactel brand, to Besnier.

It also sold its 5 per cent stake in Canal Plus, the French pay television station, to the state financial institution Caisse des Depots et Consignations.

Perrier owns at the moment 35 per cent of Lindt France, along with its Spanish subsidiary, with the remainder held by Lindt und Sprüngli.

Lindt France, which has a factory near Pau, on the edge of the Pyrenees, has sales of around FFr800m ($125m) a year in France and Spain, and is French market leader in the segment of quality chocolate bars.

Arbed to alter structure

By Our Financial Staff

ARBED, the Luxembourg steel maker, announced plans yesterday to change its financial structure in an operation that will remove the company's accumulated losses of LFr17.5bn ($445m) from its balance sheet.

The aim of the operation, which is to be proposed to Arbed's shareholders at an extraordinary meeting on February 27, is to allow the company to resume paying dividends, a company official said.

Arbed has not paid a dividend for more than 10 years. More than 50 per cent of the company's stock is owned by the Luxembourg state (32 per cent) and Société Générale de Belgique, Belgium's largest holding company (24.7 per cent).

Up and down in forklifts

Nick Garnett on an industry facing more mergers

THE purchase, confirmed last week, of a large part of the forklift truck business by Linde of West Germany marks another step in the consolidation of the fragmented lift truck industry.

It also underscores many of the trends that have emerged and accelerated over the past 18 months in the overcrowded and product-saturated market for combustion-engined and electric powered forklifts.

The worldwide market for standard forklifts and specialist warehouse vehicles is about 500,000 units and has been recovering steadily from a drastic fall in sales during the early 1980s.

Last year saw a dramatic upsurge in demand with unit sales of electric trucks in western Europe up 11 per cent and by as much as 20 per cent in some markets, including the UK. However, the experience of producers in the three main production areas, Europe, North America and Japan, has been very different.

Western European manufacturers have increased their share of global sales. Some of them, such as Linde, and the two Swedish materials handling companies, BT and Kalmar have improved their positions partly by acquisitions.

Japanese producers, which have established plants in North America to ease trade friction, have now turned their attention to Europe by setting up production deals. Such deals, by Mitsubishi, Nissan and Komatsu, have been designed to forestall possible dumping duties.

The US industry, having outsourced a huge amount of its manufacturing to the Far East and to Europe is still in some disarray. Hyster, the biggest US supplier, was put up for sale at the end of last year.

Balkancar of Bulgaria remained the largest producer of lift trucks in 1987, the last year for complete statistics, according to the latest league table from Fördermittel, the West German magazine.

The magazine believes Balkancar made about 77,000 lift trucks that year. However, Balkancar's sales fell that year because of lower ordering from the Soviet Union. When acquisitions Linde has recently made are consolidated into its sales, the West German company's turnover, measured in

D-Marks, now looks as if it might have toppled Balkancar from the number one slot.

These acquisitions include Wagner, the West German maker of warehousing vehicles and automated guided vehicles whose turnover was integrated into the Linde group at the start of this year, and now Lansing.

The British company's sales in 1987 were DM700m ($373m), excluding its German plant, to add to Wagner's DM130m and Linde's DM1.4bn, according to the German magazine's figures.

Lansing's German factory, whose performance is incorporated in its total sales is, at the moment, excluded from the deal pending an investigation by the German cartel office.

Linde has certainly reinforced its position as the western world's biggest supplier of lift trucks in a series of moves which has rattled the rest of the industry. Its sales are substantially larger than the biggest Japanese maker, Toyota, and nearly three times that of Jungheinrich, the next biggest European supplier.

Some other European makers have also raised their position in the league table. Jungheinrich, the Hamburg-based supplier of specialist forklifts has jumped from eighth to fifth.

This change in position is partly accounted for by currency realignments but Jungheinrich has also experienced increased sales in its own domestic currency with biggest growth in Britain, France and Italy in 1987, and in West Germany during last year. It was very close to Linde in sales of electric trucks in Europe last year, with estimated sales of about 18,000 electrics against Linde's 20,500.

Of the two European companies expanding by acquisition, Kalmar, part of the Swedish state-owned Procordia group has made the biggest strides from its roots in very heavy forklifts up to 100 tonnes. In the past few years its acquisitions have included Irion, a loss-making German maker of high rise stackers and other equipment, and Coventry Climax, a UK maker of standard forklifts which was also in financial trouble.

BT, up from 15th in the league table in 1985 to ninth in 1987, says it wants to compete with Linde head on across a range of products. It is a long way adrift of the German company in size but has recently been on an acquisition spree, picking up a number of specialist equipment producers

The Japanese suppliers, led by Toyota, the world's number three producer, and Komatsu are very large, relying mainly on supplying standard forklifts rather than specialist equipment. Their main problem has been dumping duties levied in the US and the threat of similar levies in Europe where the Japanese have up to 50 per cent of the market for some small and medium forklift types.

Three Japanese companies, Komatsu, Nissan and TCM established production facilities in the US in 1987 and last year. The Japanese have also been extending their production links in Europe, though this has been done through partnerships rather than using greenfield sites.

In the 1970s, North America was easily the world's largest centre for forklift manufacturing. Parts of the US domestic market though were eaten away by the Japanese and many US producers sold up, went out of business or relocated manufacturing outside North America.

But US companies are still major suppliers. Hyster retained its position in 1987 as the world's fourth largest producer but, apart from last year, has achieved little recent growth.

Though lift truck companies are famous for battling to maintain their independence until a merger is forced on them, there is certain to be further consolidation.

Valmet up at FM300m for year

By Olli Virtanen in Helsinki

VALMET, the Finnish metal and engineering group, has reported a profit of about FM300m ($69m) before extraordinary items and taxes in preliminary results for 1988 compared with FM251m in 1987.

Turnover rose from FM7.3bn to FM8.6bn during the year, which Mr Matti Kankaanpää, chief executive, called "satisfactory." New orders rose by 25 per cent to FM10bn.

The state-controlled Valmet became listed on the Helsinki Stock Exchange last autumn following an issue which diluted the state's control to just under 80 per cent of the share capital.

This, said Mr Kankaanpää, had strengthened the capital base and made the group "prepared for major strategic decisions" which he did not specify.

The result for 1988 could have been better without a number of strikes, delays and problems with subcontractors. Furthermore, cost increases and the rapid decline of profitability at Valmet do Brazil, the tractor manufacturing operation in Brazil, also put a damper on the result.

Valmet Paper Machines, the group's 65 per cent-owned subsidiary, saw its sales increase by 36 per cent to FM4.45bn. Part of the growth was due to acquisitions. Profits were "satisfactory."

Andelsbank lifts loan provisions

By Hilary Barnes in Copenhagen

ANDELSBANK, the first of the larger Danish banks to publish its 1988 results, increased loan loss provisions from DKr469m ($64m) to DKr722m "in the light of earnings problems in business and the tight economy of private customers."

There was a gain on the securities portfolio of DKr549m, compared with a loss of DKr82m in 1987, and pre-tax profits rose from DKr314m to DKr619m and net profits from DKr139m to DKr401m, a return of 12.81 per cent on equity capital. The balance sheet total increased from DKr50.8bn to DKr56.6bn over the year.

INTERNATIONAL CAPITAL MARKETS

Eurodollar issues defy US auction

By Andrew Freeman

COMPETITION from today's US auction of 10-year Treasuries failed to deter dollar-borrowers on the Euromarkets. There was continued demand, particularly at the long end of the yield curve, despite the usual worries about the extent to which foreigners will participate in the auction.

Two Eurodollar issues spoke volumes about current market conditions. A $250m 10-year deal for Electricité de France (EdF), guaranteed by the French Government, was brought to the market by J.P. Morgan.

The bonds, which carry a 9½ per cent coupon, were priced at 101½ to yield 37 basis points over the when-issued 10-year US Treasury and met good demand from a range of institutions.

Traders were quick to express their approval of the launch spread and the bonds were quoted at less 1.95 bid by the lead manager, just within fees of 2 per cent. Bidding for the mandate was said to have been fierce, and it is understood that no swap was arranged for the issue proceeds.

One of the deal's attractions was that it provided switching opportunities out of other new issues and seasoned paper.

Traders said the deal was an excellent demonstration of the broad demand for well-priced longer-dated dollar bonds. By

INTERNATIONAL BONDS

contrast, Nomura's deal for Sparekassen SDS, a Danish savings bank, attracted some criticism. The five-year bonds were issued with a 9⅜ per cent coupon to yield some 55 basis points over the equivalent US Treasury.

As one dealer said: "The launch spread was too tight, there was nothing in it." Nomura was perceived to be flexing its muscles in the fixed-rate sector, sure in the knowledge that it has the placing power eventually to sell the deal.

Co-managers are expected to sell much or all of their allocations back to the lead manager and most of the paper is expected to end up in Tokyo. The bonds were quoted by the lead manager at less 1⅞ bid, just on full fees. The proceeds are believed to have been swapped.

Elsewhere, Samuel Montagu was the lead manager on a well-priced £60m five-year deal for Commerzbank Overseas Finance, guaranteed by the parent bank. Launched at 101⅝ to yield 59 basis points over the equivalent gilt-edged security, the bonds were trading at less 1.70 bid, inside fees of 1⅞ per cent.

Two issues emerged to tap retail demand in the C$ two-year area. Merrill Lynch was the lead manager for a C$100m deal for Westpac Banking which was launched at 30 basis points over the equivalent government bond and was felt by the market to be slightly tight.

The issue was bid on fees at less 1⅛ per cent. The proceeds were swapped into floating-rate US dollars.

A C$75m issue by Kredietbank International Finance was brought by JP Morgan at 21 basis points over the December 1990 government bond and had a warmer reception, although it too was quoted on fees at less 1⅛ bid.

In New York on Monday, British Telecom issued its first Yankee bonds via a holding company. The $590m two-tranche deal was brought by Goldman Sachs and was well bid. A spokesman for BT said the market conditions were favourable for achieving its financing targets.

BT recently announced it intention to acquire McCaw Cellular Telephones in the US and the Yankee issue is thought to be related to that $1.5bn deal. BT paper carries the attraction that the company is perceived to be free from event risk, a big concern to US investors in the light of recent takeover activity.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Eidensha Co.‡	50	5⅞	100	1993	1½/¾	Nomura Int.
EDF◆	250	9½	101½	1999	1¼/¾	J.P.Morgan
Sparekassen SDS◆	200	9⅜	101½	1994	1¼/⅝	Nomura Int.
British Telecom Fin.◆(e,f)	200	9⅝	99.85	2019	n/a	Goldman Sachs
British Telecom Fin.(e)◆	300	9⅜	99.78	1999	n/a	Goldman Sachs
Issue update:						
Nippon Mining Co.‡◆(b)	500	4⅛	100	1993	1½/¾	Nikko Secs.
Mitsubishi Gas Chem.‡◆(c)	100	4¼	100	1993	1½/¾	Yamaichi Int.
Fujikura Ltd.‡◆(c)	100	4¼	100	1993	1½/¾	Yamaichi Int.
J.P.Morgan◆(d)	125	10	102	1999	1¼/¾	J.P.Morgan
AUSTRALIAN DOLLARS						
Merrill Lynch◆	60	16½	101⅞	1991	¾/½	Merrill Lynch
CANADIAN DOLLARS						
Westpac Banking Corp◆	100	11½	101⅜	1991	⅝/½	Merrill Lynch
Kredietbank Int.Fin.◆	75	11½	101½	1991	⅝/½	J.P.Morgan
SWISS FRANCS						
Tokai Bank§**(a)	150	(½)	100	1994	n/a	Credit Suisse
Tokai Bank§(a)	150	(½)	100	1994	n/a	Credit Suisse
STERLING						
Commerzbk Overseas Fin.◆	60	10¾	101⅝	1994	1¼/⅝	Samuel Montague & Co.
YEN						
Christiania Bank◆	10bn	0	84⅞	1993	n/a	Nomura Int.

**Private placement. §Convertible. ◆Final terms. ‡With equity warrants. ‡Floating rate note.(a)Indicated put at (105½) to yield (2.568).Conversion period from 20/3/89 to 18/4/94.(b)Coupon indicated at 4½.(c)Both coupons indicated at 4⅝. (d)Issue increased from $100m.(e)Yankee bond.(f)Callable after 10 years on coupon date.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 7

	Issued	Bid	Offer	Change on day	Change on week	Yield
US DOLLAR STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FLOATING RATE NOTES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CONVERTIBLE BONDS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Rothwells to repay depositors

By Chris Sherwell in Sydney

DEPOSITORS IN Rothwells, the Australian finance house which collapsed last year, will be repaid in full, and unsecured creditors will receive 66.3 cents in the dollar, if a "reconstruction plan" unveiled yesterday is accepted.

The group's provisional liquidators put the proposal before the Supreme Court of Queensland, where Rothwells is incorporated.

The court adjourned the case until May to give the plan time for implementation.

The main feature of the plan is that it combines the benefits of a "scheme of arrangement" embracing the various parties and a full liquidation, which would allow easier recoverability of funds but would take longer.

Among other things, it includes an out of court settlement between the Fairfax newspaper group and Bond Media, a subsidiary of Mr Alan Bond's Bond Corporation, over a disputed fee payable by Fairfax to Rothwells but assigned by Rothwells to Bond Media.

But two issues remain to be settled:

● The status of an apparently preferential A$150m (US$112m) repayment by Rothwells of a loan from the National Australia Bank; and

● The status of claims by prominent Australian companies which in October 1987 subscribed for some A$100m in redeemable preference shares in Rothwells in an abortive rescue bid.

Mr Ian Ferrier, of Ferrier Hodgson, the provisional liquidator, said yesterday it was "our advice" that the A$150m would be able to be recovered, despite National Australia Bank's resistance, and that undertakings by Mr Laurie Connell, who headed Rothwells, would resolve the second issue.

The alternative of full liquidation, he said, would mean depositors would not be paid in full, dividend payments would be slower and depositors would incur recovery costs.

For unsecured creditors, he added, the reconstruction plan would achieve a result commensurate with liquidation, but quicker.

Apart from the settlement of the Fairfax-Bond Media fee dispute, involving a payment of A$20m-25m to Bond Media, the reconstruction plan includes:

● Major undertakings by Mr Connell, against whom there are claims totalling nearly A$114m.

Under these, he would forgo his own numerous claims involving some A$150m in loans and deposits to Rothwells and pay A$12m in cash over three years;

● The recovery of preferential payments made to creditors prior to the provisional liquidation. Some would be voluntarily returned, but a failure to retrieve the A$150m National Australia Bank payment would see pay-outs to unsecured creditors drop to 51 cents in the dollar;

● Discrimination in favour of the 1,400 "less sophisticated" smaller depositors in Rothwells, 1,200 of whom are resident in Queensland, so that they might be paid the A$45m due to them in full.

According to Ferrier Hodgson, "this discrimination against the more sophisticated financial institutions...follows a perception that those institutions had an ability to be closer to Rothwells, to have a better comprehension of what Rothwells was all about . . ."

Rothwells was first put into provisional liquidation last November.

In December, Ferrier Hodgson found the group had total assets of almost A$410m but liabilities of A$477m, a deficiency of A$67m.

Yesterday it said acceptance of its reconstruction proposal had been received from most parties.

INTERNATIONAL CAPITAL MARKETS

Treasuries trade quietly in advance of refunding

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds traded quietly and in a narrow range yesterday morning as dealers waited for the three-year auction, the first in this week's quarterly refunding.

At midsession, bond prices stood as much as 1/8 point higher in all areas of the yield curve. The Treasury's benchmark long bond stood 4/32 point higher at 8.84 per cent.

The long bond does not appear to have suffered much from the announcement on Monday of Administration plans to set up an entity called Resolution Funding Corporation to issue $50bn of 30-year bonds over the next three years.

The initial reaction to this was that, as the bonds are not exactly equivalent to Treasuries, the sales should not affect the government market.

The focus for the market yesterday was the $9.75bn three-year bond issue. High yields in this short area of the yield curve was expected to attract strong demand from individuals. Yields in the three-year area stood yesterday at around 9.15 per cent, much higher than the 8.5 per cent prevailing last November when non-competitive interest at the three-year sale totalled $1.05bn.

In addition, Japanese investors who have traditionally been heavier buyers further out on the yield curve, have shown more interest in short maturities.

Attention continues to be trained on the US Federal Reserve's money market operations for any signs of tightening. Monday's three-day matched sales announcement was followed by a dip in the Fed Funds rate below 9 per cent suggesting that the operation was not enough to drain excess liquidity from the market.

This appeared to be confirmed yesterday when the Fed announced two-day matched sales to supplement the existing matches.

It is not clear from these operations that any further tightening move is underway. The Federal Open Market Committee, which sets the desired target range for Fed Funds, started its two-day meeting yesterday.

The Fed Funds rate was still relatively soft at midsession yesterday at 9¼ per cent.

GOVERNMENT BONDS

AN UNOFFICIAL report that the Swedish Government may abolish the recently imposed turnover tax failed to move the bond market much, only because the idea has been bandied about the market for some time.

The reports suggested that the 2 per cent levy, extended to most capital market instruments since the beginning of the year, might go when foreign exchange controls are lifted, as expected, later this year.

Otherwise, trading might drift offshore in the deregulated environment, to duck tax penalties. Some dealers blame the considerably lower turnover in government bills and bonds in the last couple of weeks on the new tax.

Scrapping it would be good news for options and futures traders as well. Until the end of December, there was an active interbank futures market in government bonds and T-bills and the Swedish options market OM listed government bond options.

THE JAPANESE market is pretty hemmed in at present. Yesterday barely Y1,000bn worth of cash stock changed hands, and the No. 111 benchmark closed in Tokyo barely altered from Monday at a yield of 4.93 per cent.

While any prevarication detected in President George Bush's budget proposals tomorrow would give the domestic yen bond market a lift, evidence of continued tightness from the Bank of Japan in its money market dealings kept the lid firmly on government bond price appreciation.

On a technical note, futures volume has, since Monday, shifted from the March to the June contract. Yesterday Y5.5 trillion worth of the June instrument changed hands, confirming its "key" status, while the March contract saw only Y926bn worth of business.

THE GERMAN market awoke yesterday with the thought it had been rather oversold in the past few days, and the absence of further muscle exhibited by the dollar also helped prices along. Domestic buyers were mostly on the streets at carnival celebrations, but a good deal of overseas retail demand was seen. Despite the German holidays, the Liffe 10-year bund contract had an active day, with over 9,000 contracts traded.

UK GOVERNMENT bonds hardly moved over the day. Sterling weakness in the morning shaved up to ¾ of a point off bond prices, but losses were made up later. The benchmark treasury bond due 2003-2007 closed unchanged at 118¾.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-12	-2/32	10.32	10.39	10.89
		9.750	1/98	100-00	-6/32	9.75	9.83	10.31
		9.000	10/08	100-08	-5/32	8.97	9.06	9.34
US TREASURY *		8.875	11/98	99-05	+3/32	9.00	9.00	8.98
		9.000	11/18	101-18	+1/31	8.85	8.84	8.88
JAPAN	No 111	4.800	6/98	97.8854	-	4.93	4.94	4.86
	No 2	5.700	3/07	108.6168	-0.106	4.81	4.76	4.80
GERMANY		6.375	11/98	97.2250	+0.150	6.80	6.76	6.68
FRANCE	BTAN	8.000	1/94	95.9242	-0.138	9.05	8.79	8.53
	OAT	8.500	5/98	103.4500	-0.460	8.92	8.70	8.64
CANADA *		10.250	12/98	101.0000	-	10.08	10.06	10.33
NETHERLANDS		6.7500	10/98	99.1250	-	6.95	6.88	6.69
AUSTRALIA		12.000	7/99	91.1564	+0.538	13.60	13.26	12.92

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal.

Technical Data/ATLAS Price Sources

Japanese banks adopt accounting rule change

By Stefan Wagstyl in Tokyo

JAPANESE banks yesterday announced plans to adopt changed accounting rules following allegations that they have been "window-dressing" their results by manipulating their securities investments.

The effect could be to make active trading of equities less attractive for banks than it has been in the past – possibly reducing trading volume.

Mr Kazuo Ibuki, president of the Federation of Bankers' Associations of Japan, said yesterday he hoped the revised rules would cover financial reports published for the year ending next month.

The new rules have been worked out jointly by the Federation and by the Japanese Ministry of Finance after criticisms of the bank's accounting methods were voiced following the publication of half-year results last autumn.

Under the ministry's rules, banks' securities holdings are divided into two categories – long-term investment and dealing accounts.

Profits and losses from dealing account transactions, chiefly involving bonds, are supposed to be included in operating results. Fluctuations in the investment accounts do not have to be realised in a given accounting period.

But allegations surfaced that some banks have been moving profits made on the investment holdings into the dealing account, and switching losses in the opposite direction – in order to boost the overall operating result.

Under the revised rules, all profits from bond sales will be included in the overall operating profit. But profits from investments in Tokkin funds – investment trusts specialising in equities – will from now on be placed in non-operating profits.

This change should make equity trading somewhat less attractive for banks than before, though any change is expected to be gradual.

● Reuter reports: The MoF has told the trust banks the limit on foreign bonds they may hold will be increased to 5 per cent from 3 per cent of *total assets in loan trust and* money trust accounts.

Convertibles seek a safe haven

Norma Cohen on the way puttable bonds are faring post-crash

Changing the terms of a security after it has been issued is a project akin to putting the toothpaste back in the tube after it has been squeezed out.

But some UK companies which issued a variety of convertible bonds found they got paid more than they counted on, and are seeking remedies for the situation.

Puttable convertible Eurobonds, particularly popular in the two years before the stock market crash of October 1987, looked then like a one-way bet. They carried coupons even below the sub-market rates on conventional convertibles.

But they offered an added option allowing investors to "put" the bonds back to the issuer after five years at a price well above par, thus producing a yield that is close to that on top-flight UK government bonds.

And indeed, for some, like Consolidated Gold Fields, BET and Lonrho, the securities turned out to be a spectacular success. The companies borrowed funds at roughly half the rate charged to the UK Government and sold their stock at a substantial premium to its price on issue date.

But the collapse of world stock markets in October 1987 hit many issuers hard, driving their equity to levels well below those which would encourage investors to convert to bonds. What looked like equity at launch date, now looks much more like a bond. And it is a bond paying a much higher interest rate than the borrower would have paid on a *traditional convertible,* although below the rate that would have been paid on a straight bond.

Suggested solutions include adopting certain hedging techniques, changing the terms of the put option, or doing nothing at all.

The terms of conventional convertibles encourage investors to convert their securities, even if they have to wait a long time for the stock to rise to the strike price. But holders of the original puttable convertibles need not wait. They still get a handsome return if they put the bonds after five years.

According to figures from Baring Brothers, non-put convertibles have a 90 to 95 per cent chance of converting to equity while puttable convertibles have a 50 per cent likelihood of conversion.

Some analysts argue that those who designed and issued the original puttable convertible Eurobonds may not have completely understood all the ramifications – a risk inherent in many products of financial engineering.

"I suspect that the investment banks that were urging investors to do them didn't make much play over their downside risk," said an official at Barings. The firm said it had never underwritten one of the securities because once the terms were explained to clients, the clients lost interest.

Several analysts have pointed out that investors have no real incentive to convert to equity unless the stock price rises to a wide premium over the conversion price. Otherwise, the return to the investor is less than what can be earned by exercising the put option.

For the borrower, the immediate problem is one of accounting. Although the coupon on the securities may be only 4 to 5 per cent, the effective yield by the put date may be closer to 10 or 11 per cent.

Baring argues that the only real remedy is to set aside reserves to cover the *difference* between the coupon and the interest cost after the put. It backs up its argument for additional reserves by pointing to the fact that US accounting rules require issuers to include extra reserves on their income statements.

In November, Next, issuer of a 5% per cent puttable convertible bond, announced that its earnings for 1988 would be sharply lower, partly reflecting the cost of adding reserves to cover higher interest costs. Several other borrowers have already made the adjustment, including P&O which began to account for higher interest cost from the very start.

But for those who do not like the prospect of dipping into profits to account for the extra interest, other remedies are suggested, some by the very firms that helped underwrite the securities in the first place.

Credit Suisse First Boston, one of the major underwriters of puttable convertible Eurobonds along with SG Warburg, argues that issuers need not take any action at all. It says its clients are perfectly happy with their securities.

Officials at the firm said that the small size of most issues relative to the total capitalisation of their companies suggested that borrowers had no specific need to raise equity. For all practical purposes, the issuers were equally happy to receive equity or debt.

But Warburg has taken a slightly different track, modifying the issues after launch. The first of these modifications was for a £110m puttable convertible with a 4¾ per cent coupon issued by Burton and underwritten by Crédit Suisse First Boston. It was initially intended to be puttable after five years at 136.50 to yield 12.402 per cent. Otherwise, it is convertible into shares at 315p. Even with the sharp rally in stock prices in January, Burton's stock, at 202p, is far short of that level, making it increasingly likely that bonds will be put rather than converted.

Therefore, Warburg has adopted a "rolling put" for the Burton issue, offering bond holders the chance to put the bonds in the tenth year earning the same return. At that rate, investors will be encouraged to hold on to their securities for another five years, with the possibility that stock prices will rise sufficiently in between, spurring conversion.

In 1988, seven convertibles were issued with puts, four of them with rolling puts similar to the modified Burton issue. Not one security has been issued with a put option in the original form.

But J. Henry Schroeder Wagg is offering a different solution, arguing that the "rolling put" deprives shareholders of income. It has devised a hedging structure under which, for a premium, it will agree to buy all the issuer's bonds at the put price on the put date. Also in exchange for a premium, the issuer would agree to buy back the bonds from Schroeder at par. Schroeder calculates that both puts will be exercised only if the share price is below the conversion price.

Indosuez acquires 25% of Thai broker

By George Graham in Paris

BANQUE INDOSUEZ, the French merchant bank, has taken a major stake in a leading Thai brokerage house, extending its coverage of the Far Eastern capital markets.

Indosuez, which is already well represented in the region through its subsidiary, W.I. Carr, will pay $13m for 25 per cent of Nava Finance and Securities, *the investment banking* and broking subsidiary of Thai Military Bank, the country's fifth largest bank.

Nava Finance and Securities will shortly split off its securities operations from its commercial lending activities, and at this stage Indosuez will increase its stake in the securities side to 49 per cent, the bank said yesterday.

The Thai company already has licences to act as a securities broker, a securities dealer, an investment adviser and a securities underwriter. Along with Indosuez, it has also applied for a licence to act as investment adviser to Thailand's official provident funds.

Indosuez, a subsidiary of Compagnie Financière de Suez, the French investment and banking group, also announced yesterday that it would invest $8m in a joint venture with Daniel Breen and Co, the US fund management concern.

The bank plans to transfer management of some FFr1bn ($156.5m) of its funds invested in the US to Daniel Breen, based at Houston, Texas. In addition, it hopes the agreement will increase its access to Breen's client base of US pension funds, to which it may offer its fund management expertise, especially in Far Eastern investment.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tuesday February 7 1989: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Feb 6: Index No.	Fri Feb 3: Index No.	Thu Feb 2: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (208)	916.21	+1.4	10.23	3.89	11.99	1.09	903.55	913.25	899.40	788.89
2	Building Materials (28)	1136.15	+0.9	11.21	4.01	10.97	0.26	1126.00	1144.09	1121.35	945.38
3	Contracting, Construction (39)	1686.18	+0.5	11.75	3.62	11.09	0.00	1677.40	1688.00	1664.07	1425.78
4	Electricals (10)	2654.70	+1.0	8.15	4.25	14.79	0.00	2628.61	2638.09	2630.31	1960.77
5	Electronics (30)	2063.78	+1.7	9.08	3.17	14.25	7.19	2028.43	2059.59	2040.69	1423.66
6	Mechanical Engineering (55)	490.25	+1.8	9.72	3.83	12.52	0.12	481.59	483.50	474.79	368.99
8	Metals and Metal Forming (7)	521.19	+1.3	14.72	5.65	7.68	0.00	514.29	520.18	513.72	425.22
9	Motors (17)	312.62	+2.2	10.46	4.23	11.09	0.00	305.92	309.74	302.67	262.96
10	Other Industrial Materials (22)	1542.80	+1.4	8.94	4.08	13.27	3.46	1521.18	1535.27	1510.31	1193.07
21	CONSUMER GROUP (186)	1193.18	+1.8	8.72	3.52	14.37	0.87	1172.38	1185.27	1167.17	999.30
22	Brewers and Distillers (22)	1288.91	+1.4	9.88	3.45	12.64	0.00	1270.92	1285.87	1268.81	963.30
25	Food Manufacturing (21)	1062.93	+1.2	8.62	3.62	14.58	1.57	1050.70	1056.90	1044.89	820.90
26	Food Retailing (15)	2089.67	+0.8	8.68	3.36	15.16	4.84	2073.60	2118.38	2079.22	1975.66
27	Health and Household (13)	2158.10	+2.4	6.21	2.51	18.44	0.20	2106.84	2116.37	2077.93	1740.08
29	Leisure (33)	1565.32	+1.8	7.74	3.33	16.33	1.30	1537.65	1564.66	1541.01	1158.80
31	Packaging & Paper (17)	601.37	+1.2	9.27	3.81	13.41	0.53	594.47	595.78	587.94	488.25
32	Publishing & Printing (18)	3874.14	+2.4	8.21	4.06	15.26	3.38	3784.85	3827.77	3747.33	3296.13
34	Stores (33)	800.87	+2.6	10.62	4.32	12.39	0.32	780.92	790.78	781.02	792.14
35	Textiles (14)	531.99	+1.3	13.09	5.35	9.15	0.00	525.09	530.66	521.94	552.55
40	OTHER GROUPS (93)	1051.75	+1.4	10.06	4.11	12.14	0.12	1037.64	1047.35	1032.29	842.75
41	Agencies (18)	1232.05	+1.9	8.53	2.58	14.79	0.00	1209.40	1213.23	1189.97	1021.91
42	Chemicals (22)	1209.69	+1.2	10.59	4.36	11.37	0.23	1194.92	1198.82	1177.57	1062.92
43	Conglomerates (12)	1458.13	+1.5	10.61	4.98	10.88	0.00	1436.29	1445.70	1421.03	1124.28
45	Shipping and Transport (12)	2295.07	+1.6	8.66	3.63	15.09	0.00	2258.28	2260.68	2204.21	1782.22
47	Telephone Networks (2)	1117.79	+0.7	10.51	4.20	12.37	0.00	1109.81	1132.86	1130.19	918.83
48	*Miscellaneous (27)*	1456.73	+2.0	9.73	3.75	11.70	0.62	1428.43	1448.06	1412.95	1129.87
49	INDUSTRIAL GROUP (487)	1100.18	+1.6	9.50	3.79	13.00	0.76	1083.31	1094.66	1078.24	891.25
51	Oil & Gas (13)	1937.14	+0.6	9.51	5.73	13.45	0.00	1926.18	1952.66	1936.44	1760.18
59	500 SHARE INDEX (500)	1171.62	+1.4	9.50	4.05	13.06	0.70	1155.17	1167.78	1151.32	964.93
61	FINANCIAL GROUP (126)	761.68	+0.9	–	4.68	–	0.28	754.72	761.50	758.86	634.36
62	Banks (8)	760.26	+1.2	18.85	5.76	7.11	0.00	751.60	756.11	746.82	648.41
65	Insurance (Life) (8)	1079.41	+1.4	–	5.00	–	0.00	1064.64	1080.09	1068.58	938.43
66	Insurance (Composite) (7)	608.28	+1.3	–	5.14	–	0.00	600.46	606.81	600.98	482.33
67	Insurance (Brokers) (7)	1053.34	+1.3	8.31	6.17	15.03	0.00	1040.12	1047.34	1035.47	865.96
68	Merchant Banks (11)	350.39	+0.3	–	4.28	–	0.00	349.51	349.77	341.77	335.49
69	Property (53)	1318.40	+0.3	5.50	2.55	23.17	0.69	1314.33	1324.89	1306.65	996.57
70	Other Financial (32)	386.67	+0.7	9.02	5.20	13.83	1.12	383.92	386.51	382.92	371.68
71	Investment Trusts (76)	1071.31	+0.8	–	2.85	–	0.67	1063.31	1069.78	1056.67	824.18
81	Mining Finance (2)	671.05	+0.8	9.11	3.12	12.23	0.00	665.76	669.38	662.81	390.33
91	Overseas Traders (8)	1374.33	+1.2	9.10	4.86	12.75	15.65	1358.36	1372.54	1358.91	1001.51
99	ALL-SHARE INDEX (712)	1070.79	+1.3	–	4.10	–	0.72	1056.93	1067.88	1053.84	875.91

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 6	Feb 3	Feb 2	Feb 1	Jan 31	Year ago
FT-SE 100 SHARE INDEX♦	2072.8	+28.5	2072.8	2040.5	2044.3	2069.9	2043.4	2039.7	2051.8	1707.2

FIXED INTEREST

	PRICE INDICES	Tue Feb 7	Day's change %	Mon Feb 6	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	119.46	+0.03	119.42	–	1.26
2	5-15 years	137.13	+0.01	137.12	–	1.52
3	Over 15 years	151.43	+0.03	151.40	–	0.25
4	Irredeemables	174.57	–0.06	174.68	–	0.00
5	All stocks	134.49	+0.02	134.47	–	1.29
	Index-Linked					
6	5 years	131.76	–0.11	131.91	–	0.00
7	Over 5 years	130.86	+0.02	130.98	0.15	0.58
8	All stocks	130.79	+0.02	130.91	0.15	0.53
9	Debentures & Loans	118.25	+0.04	118.20	–	0.62
10	Preference	89.43	....	89.43	–	0.17

	AVERAGE GROSS REDEMPTION YIELDS		Tue Feb 7	Mon Feb 6	Year ago (approx.)
	British Government				
1	Low	5 years	8.97	8.99	9.04
2	Coupons	15 years	8.83	8.82	9.40
3		25 years	8.78	8.77	9.31
4	Medium	5 years	10.06	10.05	9.61
5	Coupons	15 years	9.28	9.28	9.62
6		25 years	8.94	8.94	9.47
7	High	5 years	10.22	10.22	9.70
8	Coupons	15 years	9.48	9.47	9.77
9		25 years	9.09	9.08	9.50
10	Irredeemables†		8.78	8.77	9.39
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.56	3.51	2.52
12	Inflation rate 5%	Over 5 yrs.	3.57	3.57	3.87
13	Inflation rate 10%	5 yrs.	2.73	2.68	1.60
14	Inflation rate 10%	Over 5 yrs.	3.41	3.41	3.72
15	Debs &	5 years	11.60	11.65	10.98
16	Loans	15 years	11.20	11.22	10.96
17		25 years	10.81	10.81	10.96
18	Preference†		10.09	10.09	10.48

♦Opening index 2043.7; 10 am 2041.2; 11 am 2048.4; Noon 2052.0; 1 pm 2052.4; 2 pm 2053.5; 3 pm 2059.8; 4 pm 2061.2; 4.05 pm 2061.2 (a) 5.00pm (b) 9.55am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	28	53	28
Corporations, Dominion and Foreign Bonds	0	7	44
Industrials	626	253	707
Financial and Properties	217	84	370
Oils	28	21	51
Plantations	1	1	10
Mines	32	46	108
Others	57	83	99
Totals	989	548	1,417

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
†	F.P.	-	408	355	CLF Yeoman	408	+5	R0.24	4.6	2.5	13.3
§45	F.P.	-	58	45	McCassidy Brothers 10p	53	-1	b3.08	2.0	7.7	8.4
245	F.P.	25/1	329	243	Compass Group 5p	317	+5	87.2	2.7	3.0	16.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

● First Dealings Feb 6
● Last Dealings Feb 17
● Last Declarations May 18
● For settlement May 30

For rate indications see end of London Share Service

Calls in Saatchi & Saatchi, Chloride, Maxiprint, Owners Abroad, Monotype, PML, Eagle Trst, Williams, Trenwood, Eurotunnel Wrnts, Tusker Res, Radio City, Monarch Rs, Far East Res, Ryan Hotels. Put in Racal Tel, [illegible] Prop, Rothmans, BCL P/C PML.

LONDON TRADED OPTIONS

ROLLS-ROYCE took the limelight in London traded options yesterday, with one major house striking a heavy comination of deals, though the underlying share price was unchanged on the day. at 162p. Conditions generally were quiet, though Racal attracted attention rivalling that in Rolls Royce, and dealings in the FT-SE 100 index ran to a little more than their accustomed 25 per cent.

The Racal options trading was remarkable for three trades of 1,000 contracts apiece, apparently lying in a combination deal. Overall dealings in the stock reached 3,220 contracts, lying in 2,072 calls and 1,148 puts. The May 330 calls attracted 1,008 contracts, and a closing of interest of 657 contracts on the early count to 2,357. There was at the same time an opening of interest in the May 360 calls of 587 contracts to 1,433, on the back of 1,002 contracts. On the put side, there was an opening of interest in the May 330s, of 599 contracts to 1,010, as turnover in the series struck 1,000.

Turnover in the index amounted to 9,967 contracts, consisting of 5,999 calls and 3,968 puts, as the index itself rose 28.5 points on balance to close a day's top of 2,072.8, helped by Wall Street and by a continuing upwards drag from futures dealings in the index on the London International Financial Futures Exchange. Dealings in the March future showed a premium over the stock exchange level on general calculations of fair value.

Rolls Royce found business of 3,383 contracts, comprised in 2,757 calls and 626 puts, with substantial trading seen in the April 140 calls, on both sides, to show overall turnover in the series of 1,950 contracts, about a quarter of which represent a closing of interest. There was opening of interest in the April 160 calls, which attracted 518 contracts. Other busy options stocks included BT, British Petroleum and GEC.

Option		CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Cellnet contribution helps lift Securicor to £27.3m

By Vanessa Houlder

SECURICOR GROUP and Security Services, its 51 per cent-owned offshoot, yesterday reported profits buoyed by a maiden contribution from Cellnet, the mobile telephone company in which the group holds a 40 per cent stake.

Group profits before tax advanced 36 per cent to £27.31m (£20.02m). Security Services reported pre-tax profits of £21.81m (£16.06m), also an increase of 36 per cent.

Securicor's share of Cellnet profits was £2.61m; Security Services' share was £1.74m. This was calculated after absorbing all prior year development losses.

Before taking account of the contribution from Cellnet, pre-tax profits from the companies' other core operations increased by 23.4 per cent in the group and 24.8 per cent in Services.

The profits breakdown of the group was as follows: UK security, communications and parcels £17.19m (£13.87m); overseas profits in these areas £2.03m (£1.58m); finance, investments and insurance £3.02m (£2.98m); hotels, vehicles and employment services £2.45m (£1.59m).

The group's other joint venture operations in Band Three private mobile radio and the Datatrak vehicle location system were not included as they remained in their development stages.

Earnings per share of the group rose from 8.7p to 10.7p; those of Services rose from 9.8p to 12.2p.

Proposed final dividends for both companies are increased by 10 per cent to 0.896p in the group and 1.66p in Services, making respective totals of 1.296p (1.177p) and 2.498p (2.268p).

● COMMENT

Both these results were in line with expectations and left Securicor A and Security Services' shares unchanged at 525p and 480p respectively. At these levels, the shares are on apparently sky-high multiples: assuming Securicor makes £50m and Security Services makes £40m this year, they are on prospective multiples of 23 and 20 respectively. The reason for all this excitement lies not in the core businesses although these have chalked up solid improvements. Rather it lies in the Cellnet subsidiary, which is expected to follow the illustrious footsteps of Vodaphone. But even assuming that Cellnet as a whole makes profits of £30m-£35m next year, the shares look expensive on an earnings basis. However, when compared with other cellular phone operations and gauged by the market capitalisation per head of population in its franchise area, the shares, say the companies' supporters, look distinctly reasonable.

Restructured Unitech at £7.8m

By Hugo Dixon

UNITECH, the electronic components manufacturer which has radically restructured its business over the past year, yesterday reported pre-tax profits 23 per cent higher at £7.84m in the 27 weeks to December 3.

The increase owed much, however, to a change in the group's interest position resulting in interest receivable of £575,000 against charges of £709,000. Progress at the trading profit level was restricted to a rise of 2.7 per cent to £7.26m (£7.06m). Sales expanded 9 per cent to £114.98m.

Over the past year, Unitech has raised £50m in new equity by selling nearly 30 per cent of its shares to Elektrowatt of Switzerland; acquired Veeco Instruments, a leading US power supply manufacturer for $327m, and sold its distribution business, which previously accounted for half its turnover, for £55m.

The cash from Elektrowatt was largely responsible for the interest turnround. The other elements of Unitech's restructuring had no impact on the half-year figures.

Unitech said its best-performing division was connectors, particularly the French subsidiaries. The controls division turned in a "middling performance", while the power division was hurt by the drop in demand for "dealers' monitors in the City".

Mr Charles Arnold, finance director, said Veeco should show a 15 to 20 per cent growth in profits in the coming year. It made post-tax profits of $12.7m on turnover of $260m in the year to end-September.

He said Veeco was extremely profitable in Japan, where it had sales of $98m, and one way of getting more capital could be to list Unitech shares on the Japanese market.

The group's balance sheet was also improving. Gearing was now less than 200 per cent and would be down to 150 per cent by the end of May.

Earnings per share worked through at 9.1p (8.5p). The interim dividend is raised to 3.675p (3.1025p).

● COMMENT

Unitech's decision to get out of distribution and concentrate on manufacturing is probably a sensible one in the long term. It should enable the company to get economies of scale from sharing distribution channels and research budgets. The acquisition of Veeco has also given the group a useful presence in the increasingly important Japanese market. But, although there are likely to be rewards for the patient shareholder, this is not a share for somebody looking to make a quick turn. Veeco will boost pre-tax profits next year, but most of this will be offset by substantially higher tax charges in Japan and higher minority payments stemming from the fact that Unitech owns only 72 per cent of Veeco's Far Eastern subsidiary. Pre-tax profits should leap from just over £20m in the current year to £28m next year, but earnings per share will probably only creep up from 20p to 23p.

Viking rejects £22m Aviva offer

By Ray Bashford

Viking Resources Trust, the Ivory & Sime-managed investment trust, has firmly rejected the 55p a share cash takeover offer from Aviva Petroleum, the oil and gas investment company.

Directors of Viking said in a defence document that the bid, which values the company at £22m, fails to reflect the net asset value and the potential for future capital growth.

"Aviva's bid effectively represents an attempt to get hold of Viking's carefully selected portfolio of directly-held producing properties at a discount of 24 per cent to their professionally appraised value," Aviva directors claimed.

Aviva has 15.2 per cent of Viking and an option to acquire a further 19.2 per cent stake.

Mr Lawrence Hockey-Sweeney, Aviva's chairman, said that Viking had failed to present a strong defence.

Huntingdon rises

First quarter pre-tax profits to end-December of Huntingdon International Holdings rose from £2.23m to £2.88m. Turnover rose 42 per cent to £17.42m. The group runs biological, safety testing and engineering services in the UK and US. It has applied for a full listing on the New York SE.

Ship Canal assets up

MANCHESTER Ship Canal Company yesterday told a public inquiry that it had revalued its assets to £76m, an increase of more than 50 per cent on previous book levels, writes Ian Hamilton Fazey, Northern Correspondent.

Most were in the form of appreciating investment properties or surplus land worth £60.4m.

A public inquiry in Manchester was told this yesterday by Mr Leolin Price QC, for the company. The inquiry is into proposals to change the structure of its board and increase borrowing powers by £45m to £127m. A simultaneous statement to the Stock Exchange saw the ordinary shares rise in value by 75p to £19.25 during the day.

The inquiry has been forced by a substantial grouping of minority shareholders, led by Mr Nicholas Berry, chairman of Harrap, who chaired the Ship Canal during the final stages of its unsuccessful attempt to resist a takeover by a company then owned by Mr John Whittaker, the Manchester property developer and chairman of Peel Holdings.

Mr Whittaker's privately-owned Great Hey Investments is now the canal's largest shareholder, but ease of management is hindered by Manchester City Council's statutory right to a boardroom majority of one, a 21-member board, and tight borrowing powers.

The council had agreed to drop its rights in exchange for repayment of £7m of debentures, plus £2m of guaranteed profits from a 48 per cent stake in a £100 joint property company it was forming with Great Hey — gaining £10m for the expenditure of £48, as Mr David Crome, the professional arbitrator who is chairing the inquiry, put it.

Carr steps down at Cowan

By Nikki Tait

MR JOHN Carr, the ex-Windsor Securities man who has headed the restructuring efforts at importer and distributor Cowan de Groot over the past 15 months, is stepping down as chairman and director.

Into his shoes steps Mr Jonathan Samuelson, formerly corporate development director of Samuelson Group, which was acquired by Eagle Trust in October 1987.

Mr Samuelson acquired a 14.5 per cent in CDG last December, and joined the board as deputy executive chairman. His family trust has now acquired a further 400,000 shares from Mr Carr and his family at 60p each, taking the interest to 16.7 per cent.

Mr Carr said yesterday that his departure was for family reasons.

Both sides say the departure is entirely amicable, and that it was envisaged that Mr Samuelson would take some of the weight off Mr Carr when he first got involved in December. Mr Carr will remain a consultant to CDG.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Aaronson Bros ....fin	3.95	Apr 7	3.75	5.75	5.45
Beckenham Grp ♦ ...fin	1.5†	—	0.75	2.5	0.75
Blue Arrow ....fin	1.2†	Apr 5	0.6	1.8	0.8
Cray Electronics.......int	1.052‡	Apr 17	0.809	-	3.309
Fleming Clav'hse .....fin	5.55	-	4.55	7.25	6.25
Helton Holdings ......int	0.5♣	-	nil	-	1
Hodgson Hlds § ....fin	2.8	-	1.3	4	2.3
Securicor ....fin	0.896	Apr 5	0.814	1.296	1.177
Security Servs ....fin	1.66	Apr 5	1.507	2.498	2.268
Unitech ....int	3.675	Apr 3	3.103	-	9.085

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡On increased capital, and carries scrip option. ♣Irish pence throughout.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Davies (DY), Hambro Currency Fund.

Finals- Inoco, P & P, St Modwen Properties, Scottish American Inv, Sutherland, Union Discount.

FUTURE DATES

Interims-	
Alumasc	Feb. 17
JOS	Feb. 15
Photo-Me	Feb. 16
Polypipe	Mar. 13
Finals-	
BWD Securities	Feb. 15
Egerton Trust	Feb. 14
European Assets Trust	Feb. 17
Filofax	Apr. 6
Fleming Mercantile	Mar. 7
Hepworth	Mar. 21
Macallan-Glenlivet	Mar. 22
Mersey Docks & Harbour	Feb. 14
Pacific Assets Trust	Feb. 28
T & N	Mar. 15
United Biscuits	Mar. 16
United Plantations Africa	Feb. 23

Elders buys TV-am stake from Leisure Inv

By Ray Bashford

THE INVESTMENT management arm of Elders IXL, the diversified Australian brewing and pastoral company, has acquired a 7.1 per cent stake in TV-am, the USM-quoted breakfast television station.

The majority of the shares were purchased through the disposal earlier this month of the 19 per cent stake held by Leisure Investments, the casino and leisure interests group.

Elders said the shares had been bought by a unit trust and an unspecified number of pension funds which it manages.

Mr Ed Stratis Zographos, TV-am's finance director, welcomed the purchase because it would further spread share ownership of the company.

The rest of the Leisure Investments stake is understood to have been placed with several institutions. TV-am shares yesterday firmed 2p further to 178p.

Astra tries to end speculation over Splash

By Andrew Hill

Astra Trust, the engineering, property and financial services group, attempted to end speculation over its intentions towards Splash Products yesterday with a statement that it was considering all the options available.

Astra holds an option to buy 14.9 per cent of the T-shirt printer and character merchandiser at 65p a share, compared with yesterday's unchanged closing price of 68p.

Splash claims it was approached informally by Astra two weeks ago with an all-shares offer valuing each share at 85p, and the whole company at £11m.

Mr Theo Paphitis, Astra's chairman, said yesterday that no such approach had been made.

"At the moment we emphasise that no firm decision has been taken," he said. "The statement does not stop us from doing anything in the future."

The Takeover Panel prompted Astra to issue yesterday's statement in an attempt to clarify the situation and restore a normal market in Splash shares, which rose at one point to 82p.

Splash, which is quoted on the Unlisted Securities Market and owns a portfolio of licences to print cartoon characters on T-shirts, issued a formal statement at the end of last month that it had received an approach from a potential bidder.

Rodamco cuts Hammerson 'A'

By Nikki Tait

Rodamco, the Dutch property group which earlier this year was involved in an abortive £1.3bn bid for Hammerson, has notified the British property company that its holding in the "A" shares has dropped below the five per cent disclosable level.

Rodamco previously held 5.3 per cent of the "A" shares plus a much smaller number of the heavier-voting ordinary shares.

However, its total interest in Hammerson's voting rights was only around three per cent.

Heiton sharply up

Heiton Holdings, the Dublin-based builders' merchant, reported pre-tax profits sharply higher at I£494,000 (£405,000) in the six months to end-October. The profit came from £12,000 was achieved on turnover of I£22.15m (I£16.45m). Earnings were 4.06p (0.81p) basic and there is an interim dividend of 0.5p.

Making a comeback: Mitchell Fromstein giving his version of recent events Trevor Humphries

Fromstein defends Blue Arrow's direction

By Vanessa Houlder

AS COMEBACKS go, this was a classic. Just one month ago Mr Mitchell Fromstein, the 60-year old Manpower chief from Milwaukee, had lost both his company and his place on the Blue Arrow board. Yesterday, having turned the tables and taken number one position at Blue Arrow, he was presenting its results *con brio*.

For one and a half hours yesterday he answered questions from the press. He dubbed himself "the only duck in the shooting gallery" but seemed to relish every minute. An impish grin frequently transformed his professorial, somewhat owlish appearance as he gave his version of recent events.

The gist of his performance was a stout defence of the company, which had met all its own targets for its brands. The results, he said, were "astoundingly" good, having exceeded the growth of its major competitors and economies.

But in the course of this, he *took some potshots at the management and analysts who had aroused expectations* at the time of the Manpower takeover. "The people who did the projections prior to the acquisition did not have a grasp of what the world market for employment services was all about," he declared.

It was not, he said, that he had been recalcitrant. "If anyone thinks that I could have produced £20m simply by cooperating, that is an unfair indictment."

He did not admit to any personal animosity towards Mr Tony Berry, the man he has replaced as chief executive. He did not necessarily want to see him off the board, although he was not sure how long he would remain as chairman.

In all this, Mr Fromstein complained that the recent publicity had covered Blue Arrow with "a cloud or a mist which says there is something wrong with the company." He, Tony Berry and Blue Arrow qualified for an award for filling up newspaper space on an almost daily basis, he maintained.

An indirect consequence of this was that Blue Arrow was considering pulling out its backing for the Blue Arrow yacht contender for the America's Cup. The benefit for the company had been greater before the press started to write about it every day, he said.

Looking to the future, the strategy, he said, was to build strong brands. "There is plenty to be done in showing the world how good a set of operations we have."

The options to "sell it, merge it, spin it, split it, you name it" had been considered ad nauseum. The heads-down trading alternative seemed the best option.

He would now, he said, be committed to running the entire group, not just the Manpower businesses. "If I were to get involved in some self criticism: when I get involved in something I do it very intensely," he said. "Now suddenly given responsibility for running the plc, I can adjust to being equally intense about that assignment."

Piccadilly bid for Midlands unconditional

By Fiona Thompson

PICCADILLY RADIO, the Manchester-based commercial radio station facing a hostile £35m bid from the Miss World beauty contest and radio station group, yesterday declared its £13.1m recommended offer for Midlands Radio Holdings unconditional.

Piccadilly made its offer for Midlands, operator of radio franchises in Birmingham and Coventry, in December and was due to approve the deal at an extraordinary meeting on Monday. The egm was postponed for 14 days after Miss World's surprise bid for Piccadilly last Friday.

Piccadilly yesterday said it had received acceptances in respect of 644,383 ordinary shares, representing 91.3 per cent. Certain recommendations must be approved by the egm before the offer can be declared wholly unconditional. These are that the directors be authorised to increase the share capital of Piccadilly Radio and that the directors be empowered to issue this authorised share capital to Midlands shareholders.

Miss World, headed by the flamboyant Mr Owen Oyston, has three radio stations, Red Rose Radio in Preston, Radio Aire in Leeds and Red Dragon in Cardiff.

Miss World said on Monday that its offer was conditional on Piccadilly shareholders rejecting the merger with Midlands Radio, because a combined Red Rose/ Piccadilly/Midlands would breach Independent Broadcasting Authority rules stating that no company can serve more than 15 per cent of the total UK audience. However, a condition in the appendix of its press statement said Miss World reserved the right to waive this condition.

The Miss World board said the Piccadilly acceptances for Midlands were received prior to its offer for Piccadilly, and therefore "do not affect Miss World's offer."

It would be writing to Piccadilly shareholders soon.

Aaronson profits static at £5.82m

By Fiona Thompson

SHARES IN AARONSON Brothers, manufacturer of chipboard products such as Contiboard and Contiplas and plastic bathroom and garden products, fell 13p to 115p yesterday after the company reported virtually unchanged pre-tax profits of £5.82m for the year to September 30, 1988.

Mr Leslie Aaronson, joint chairman, admitted that the results were a disappointment and said that the performance for the last three months of the year "did not reach the level anticipated."

He blamed this on the strength of sterling and the extra costs incurred due to the use of temporary sites in the plastic products division.

The pre-tax figure last time was £5.58m. Earnings moved up from 12.05p to 12.17p and a final dividend of 3.95p was recommended, making 5.75p (5.45p) for the year.

Turnover fell from £107.07m to £100.91m, but the 1987 figure included a £16.07m contribution from discontinued operations.

Aaronson has three divisions: industrial products, retail products and plastics.

Industrial products manufactures the traditional chipboard and chipboard based products in large sizes for the trade and made profits of about £2.5m on sales of just under £45m.

This division was hit by the strength of sterling which encouraged imports, especially from Germany and Spain, affected export margins and kept selling prices low. As a result, the company had to cut its prices by about 2 to 2½ per cent, said Mr Aaronson.

The retail products division, which sells chipboard products in smaller sizes to builders' merchants and DIY outlets, "performed satisfactorily", producing profits of £2.5m on sales of about £42m.

The plastics division, making bathroom and garden products, saw strong growth, with sales up by 50 per cent to £15m, but profits were the same at £900,000. This was because demand exceeded production capacity and, rather than turn away business that the company knew it could satisfy once its new factory in Telford came on stream, it used temporary sites, which resulted in substantial extra costs.

Aaronson closed or sold its distribution businesses during the year, resulting in an extraordinary debit of £2.16m. Tax took £1.31m (£1.13m).

● COMMENT

A year ago analysts were forecasting profits as high as £10m for 1987/88, and even recently the prediction was about £5.5m, so the City was not pleased with these results. The great hope was the plastics side, which achieved margins of 10 to 11 per cent last year, but the use of temporary plastics sites is reckoned to have cost at least £500,000, possibly £750,000. And the costs are not yet over, because for the bulk of this year's first half some temporary sites will still be used, which could cost another £350,000. On the industrial side, the rationalisation programme continues, but sterling's strength continues to be a problem. Analysts are looking for a pre-tax figure of about £8.5m this year, putting the shares on a prospective p/e of about 9, not cheap.

Blacks chief resigns

By Nikki Tait

MR BERNARD GARBACZ, the accountant who led the consortium which hauled Blacks Leisure back from receivership in late-1986, is stepping down as chief executive.

Mr Simon Bentley, who joined the board in 1987 and has since been responsible for corporate development, takes over the chief executive's role. Mr Garbacz will remain as non-executive chairman.

"It's high pressure work," said Mr Garbacz, senior partner at Wembley-based accountants Landau Morley. He had been doing the job for two and a half years, and suggested that it was "a young man's business".

Mr Garbacz remains Blacks' largest shareholder with around 14 per cent of the equity and said yesterday that he had no plans to sell.

Blacks also announced yesterday that 14m shares had been placed by its brokers, Hitchens Harrison, at 10p each. Of these, 10m resulted from the issue of shares to the vendors of West 8 - part of a deferred purchase consideration - while the balance was designed to meet a deferred payment to the sellers of Teesside Sports.

Minorco-Gold Fields row

By Kenneth Gooding, Mining Correspondent

THE BATTLE of words between Minorco, the South African-controlled investment group, and its potential bid target, Consolidated Gold Fields, the UK diversified mining group, flared up again yesterday over Gold Fields' 49 per cent shareholding in Newmont Mining of the US.

This followed news late on Monday that Placer Dome, the Canadian gold mining group, had been in discussions with Gold Fields last autumn about the Newmont stake.

Sir Michael Edwardes, Minorco's chief executive, suggested last night that the talks raised several questions about Gold Fields' strategy, not least its assertion that its restructuring was almost complete.

However, Gold Fields insisted that the talks had been instigated by Placer, which was interested in all the UK company's US gold operations, not just Newmont.

B&C to inject £14m into Hodgson Hldgs

By Andrew Hill

BRITISH & Commonwealth Holdings is to inject £14.5m into Hodgson Holdings, Britain's largest funeral director.

Launching a long-awaited package of joint ventures and restructuring yesterday, Hodgson said it would place £14.5m of unquoted convertible preference shares with B&C Ventures, British & Commonwealth's development capital subsidiary, which could leave the financial services group with up to 20.8 per cent of Hodgson's enlarged capital in the mid-1990s.

The funeral director also reported pre-tax profits more than doubled from £2.32m to £5.37m for the year to October 31. The company, which bought 64 funeral businesses during the period, added that it hoped to move from the Unlisted Securities Market to a full listing in April. It would be the first funeral director on the main market.

Mr Howard Hodgson, the company's flamboyant chairman, also launched Dignity in Destiny, a pre-arranged funeral plan, jointly owned with Help the Aged and B&C Ventures, and announced a move into financial services for the bereaved, a service which will be operated by Colonial Mutual Life Assurance Society. Existing Colonial Mutual clients will be offered a 15 per cent discount on Hodgson funerals.

Mr Hodgson said the cash injection from B&C would virtually eliminate borrowings, provide funds for the launch of Dignity in Destiny, and help fuel the continuing acquisition programme, although he stressed that cash purchases would be limited in future.

Hodgson's earnings rose from 11.6p to 16p, and the group recommended a final dividend of 2.8p, making 4p (2.3p) for the year. The funeral director's shares rose 3p to 190p, but in the past two weeks they have increased from a low of 170p.

Racal in joint Greek car phone venture

By Hugo Dixon

RACAL TELECOM will next year begin setting up a car phone network in Greece in association with OTE, the state-owned telecommunications monopoly.

Racal — which owns Vodafone, the UK's largest cellular network — was chosen as OTE's partner following a competition with other European telecommunications companies including British Telecom, the West German Bundespost and Televerket of Sweden.

The move is the latest step in Racal's strategy of breaking into Europe's mobile-communications markets. Cellular communications is one of Britain's fastest-growing and most profitable industries, and is expected to have considerable potential elsewhere in Europe.

Racal confirmed yesterday that it had formed a joint venture with OTE, but refused to give any details of the deal. However, industry executives said that Racal would own just under a quarter of the equity in the new venture, with OTE holding 51 per cent. The remainder will be held by two Greek private sector companies.

The Greek Government is understood to have promised the new venture a 25-year licence to run the country's only cellular network.

The venture will start installing a network early next year in the Athens area, where half the country's 10 million people live. This will be extended to other main cities in Greece over the following three years.

The initial cost of the network infrastructure is expected to be in the region of $60m (£35m), supporting around 50,000 customers. Like all cellular networks, it is likely to be several years before it breaks even. The venture will be financed by a mixture of debt and equity.

Racal already has a 4 per cent stake in Cofira, one of France's two cellular networks. It is also negotiating for a minority stake in West Germany's second network and in other networks across Europe.

Sir Ernest Harrison, chairman of Racal

UK COMPANY NEWS

Local London bids £78m for Marina

By Paul Cheeseright, Property Correspondent

LOCAL LONDON Group, the property undertaking best known for its business centres, was last night on the verge of gaining control over Marina Development Group.

In the morning it made a bid valuing MDG at £77.7m and by the evening had acceptances taking its stake up to 47.7 per cent, including the 25.3 per cent it already owned.

MDG called a board meeting after the bid offer but had no immediate comment. The company operates 11 marinas, most of which are in the south of England. It had net consolidated assets of £47.47m at the end of March 1988, when its last accounts were published.

Local London, in which Brent Walker has a 29.9 per cent stake, adopted a different style of bid from that seen in recent property sector takeovers. It is offering not cash or shares, but convertible preference stock for MDG.

Mr Andrew Blurton, managing director of Local London, said yesterday that "the bid was not hostile, but not agreed". He hoped that the existing management team would stay in place under Local London control.

For every 100 MDG ordinary shares, Local London is offering 465 cumulative convertible preference shares of 5p. Taking into options on MDG shares, this would add up to an issue of 59.8m convertible preference.

Once converted, at the rate of 100 convertibles for 18.553 Local ordinary, after 31 July 1991, this issue would account for 35.5 per cent of Local London's enlarged ordinary capital.

Each convertible preference share carries the right to an annual net dividend of 7p. This compares with the 1p dividend MDG paid on its ordinary shares for the year to March 1988 and an interim dividend of 2p for the 1988-89 first half.

The exchange values each MDG ordinary at 521p a share. On Monday night MDG shares closed at 380p, but yesterday after the bid announcement, they climbed 110p to 490p.

MDG's net asset value per share in its accounts for the year to March 1988 was 318p, but would have increased significantly since then, given the growth in the property market and the vogue for waterfront developments.

In support of its bid Local London argues that, against the background of the increasing emphasis on leisure activities, MDG is not making sufficient use of the 200 acres of land that it owns adjacent to its marinas.

MDG had failed, Local London said, "to take advantage of the opportunities available to it and is not currently being managed in a way that is likely to maximise its value." Local London claimed it could offer the direction that, it contended, MDG needs.

Local London chose to make its bid using convertible preference shares because its wished to avoid raising geared through the use of cash and an immediate dilution of its capital through the use of shares. By going down the convertible preference route it is able to offer a higher yield than is available on either its own or MDG shares.

Shares in Local London were unchanged yesterday at 485p. Those of Brent Walker were 1p lower at 359p.

Graham (left) and Robert Bourne,co-founders of Local London

NZPA converts Reuters shares

By Nikki Tait

REUTERS HOLDINGS, the UK-based international news and information group, yesterday announced that NZPA – formerly, the New Zealand Press Association – has converted its 2.78m "A" shares in Reuters to "B" shares. Conversion was on a one-for-one basis.

These are the first "A" shares to be converted since the company's stock market launch. However, Reuters said yesterday that the conversion, which takes place with the consent of the other "A" shareholders, was in response to exceptional circumstances arising in New Zealand.

Holders of the new "B" shares, moreover, will be bound by the same sale restrictions which apply to the remaining 97.3m "A" shares in Reuters.

These restrictions are various, but include the requirement that other holders of "A" shares – which have four times the votes attached to the "B" shares – are given first refusal if any other "A" shareholder wishes to sell.

Reuters' "A" shares are currently held by other news agencies and newspaper groups, none of which can own more than 15 per cent of this share class. There is also a single Founders Share, controlled by the trustees, which has special voting rights in certain circumstances.

Yesterday, SG Warburg, advising Reuters, explained that NZPA wished to distribute shares to its 20-odd members in anticipation of certain capital gains tax changes in New Zealand. A distribution of "A" shares would have breached various trust deeds and raised problems. Accordingly, it was decided that conversion – subject to the sale restrictions – was the best solution. The NZPA conversion, it stressed, did not set any precedent.

There has been speculation recently that Reuters and its various "A" shareholders might be fairly close to concluding some form of orderly marketing agreement, allowing some "A" shareholders to covert and eventually realise their holdings – a potential questionmark which has hung over the group for some time. Yesterday, however, Reuters declined to make any comment on the latest stories.

BTP acquisition

BTP has acquired the business, goodwill and certain assets of Union Glue and Gelatine from Dow Chemical Company for £270,000.

Parkfield purchases strategic stake in Hicking Pentecost

By Ray Bashford

PARKFIELD GROUP, the industrial holding company, has acquired a strategic 15 per cent holding in Hicking Pentecost, the Nottingham-based knitwear manufacturer and dyer.

The purchase again raises the possibility of an offer for the company which has recently improved its trading position following an overhaul of its operations.

Mr Tony Capper, Parkfield finance director, yesterday declined to rule out an offer for the company. "We are holding the shares as a trading opportunity and at the moment we are keeping all our options open," he said.

Hicking Pentecost shares firmed 3p to 88p following the Parkfield announcement, capitalising the company at £5.5m.

Parkfield is understood to have been looking at Hicking Pentecost for several months before purchasing the stake on Monday.

The holding is part of the 19 per cent of Hicking Pentecost which Telfos, the diversified engineering group, built up since late last year and disposed of during the past two weeks.

On Monday Telfos announced the sale of a 15 per cent holding, representing 959,000 shares, at 84.5p a share. The company had earlier sold 300,000 shares.

Telfos is understood to have closely examined the chances of a bid for the company and Mr Jo Maline, the chief executive, last December refused to rule out a bid.

The Cardiff office of the Glasgow-based broker, Allied Provincial, handled the sale of the 15 per cent stake. A spokesman for the office declined to deny that the 800,000 shares had been purchased by clients of the firm.

Mr Capper said that his company may seek board representation following talks with Hicking Pentecost directors.

He said that the knitting company's recent recovery, coupled with its strong asset backing, had made it attractive as "an investment vehicle".

During the six months to end-September Hicking Pentecost's pre-tax profits climbed 98 per cent to £415,000, representing a growth in earnings per 50p share from 3.97p to 6.53p. The company also returned to the interim dividend list with a 0.5p payment.

Saur wins fourth water company

By Andrew Hill

SAUR Water Services, a subsidiary of Bouygues, the French construction and service group, has won control of its fourth water company in the south east.

Yesterday the French group's recommended offer for Mid Southern Water Company, which is based in Surrey within Thames Water Authority's region, was declared unconditional.

SAUR had increased its cash bid from £50m to £58.6m to win over key institutional shareholders.

About 59.4 per cent of Mid Southern's voting capital has been committed to the SAUR offer, the largest of 14 bids launched in the UK's private water sector.

It could be the last large takeover in the industry, following the Government's move last month to strengthen the restrictions on bids for water companies with assets of more than £30m.

SAUR has been involved in bid battles with Southern Water Authority and its joint venture partner for three statutory water companies in the area, all of which eventually fell to French bids.

This and other recent developments seem to have calmed water merger activity, which threatened to embarrass the Government. An £8.4m agreed bid for West Hampshire Water Company from Biwater, a private UK water contractor, is the only water bid still to be declared unconditional.

However, plans for privatisation of the 10 water authorities, which work alongside the 29 companies, are now jeopardised by a row over private company water charges, which are set to rise by up to 50 per cent before flotation of the authorities.

Borrowings hold Cray Electronics to £6m

By Andrew Hill

CRAY ELECTRONICS, the electronic equipment manufacturer, increased pre-tax profits by 21 per cent to £6.07m in the six months to October 31, compared with £5.03m in the equivalent period.

Turnover rose 31 per cent from £38.73m to £50.62m and earnings per share by 15 per cent to 4.53p (3.922p). An interim dividend of 1.05p (0.91p) has been declared.

Borrowings increased by about 40 per cent between October 1987 and 1988 because of increased fixed asset investment and working capital, and cash acquisitions.

The City was surprised by the extent to which interest costs rose in the first half and marked down the share price by 14p to 164p.

Mr Bernard Collins, Cray's chairman, said yesterday: "I'm quite confident that during the autumn borrowings will come down without any help from the Chancellor, because of the general health of the business." Prospects for the group had never looked brighter, he added.

Cray does not break down the figures by division at the interim stage. Mr Collins said there had been strong growth from the instruments and control division – which makes particle analysis equipment and other instrumentation – communications, services, and Marcol, the USM-quoted software house bought for £22m in April.

Cray is to speed up its withdrawal from low margin subcontracting in the defence sector, although the group is maintaining the prime-contracting defence systems division. Closure costs of £648,000 relating to the withdrawal were absorbed below the line.

Mr Collins said he could see no point in easing gradually out of the sub-contracting side.

● COMMENT

The prospect of Cray's gearing standing at 75 per cent by the year-end – analysts had expected 25 per cent – surprised and annoyed the City. Mr Collins says Cray hides nothing, but the City already seemed miffed by the electronics group's reluctance to go into much detail about the business. However, despite the cost of closures in defence sub-contracting, and the slow start-up of the advanced materials business, the core operations seem to be developing well. Underlying revenue grew by 20 or 25 per cent and order books are strong in communications, instrumentation, software and services. Forecast profits of £18m before tax in the full year would put the shares on a prospective multiple of about 12. They are edging down to a market rating, but still look a touch expensive in the short term.

Avesco acquires video technology group

By Nikki Tait

AVESCO, a supplier of broadcast equipment to the television and video industries, yesterday announced that it is buying VideoLogic for a maximum deferred consideration of £10m.

Privately-owned VideoLogic specialises in the inter-active video field, where it designs and markets software for personal computers and, on the hardware front, high technology printed circuit boards and accessories for personal computers.

Avesco said that VideoLogic has a number of new products coming on stream.

In the year to end-September, VideoLogic made pre-tax profits of £100,000 on sales of £2.3m. Consideration on the deal is payable in two tranches – the first of £6m at end-1989, provided profits before product development expenditure for the current year total at least £700,000. The vendors have also agreed that product development expenditure will not exceed £800,000 in that period.

The first tranche will be satisfied by up to 3.08m Avesco shares plus £2.52m in shares or cash. The further consideration, of up to £4m, is based on 80 per cent of pre-tax profits in the three and a half years to end-March 1992, payable in Avesco shares.

Avesco yesterday said that its own trading was in line with expectations. It also added that Spaceward Microsystems, which supplies computer graphics to the TV industry and was acquired by Avesco last year, is currently involved in a court action brought against it by Quantel, a subsidiary of UEI.

The case concerns alleged patent infringement, and the trial commenced last month. Microsystems said it is vigorously defending the action.

H. Young expansion via £2.3m acquisition

H. YOUNG Holdings has bought the optical frames and lenses business of Browrich for an initial £2.3m in shares, to create one of the largest ophthalmic suppliers in Britain.

The two Browrich companies, K. Blyth (Optics) and Michael Selcott Designs, achieved sales of £5.14m and pre-tax profits of £328,000 in 1987.

They will be integrated with the Young Optical business to create an enlarged division with a turnover of £18m, with rights to handle Polaroid, Nikon, Yves St Laurent and Givenchy sunglasses and spectacles.

Two Browrich directors, Mr David Wiseman and Mr Michael Selcott, will join the board of Young Optical.

Initial consideration for the capital of Browrich is 1.6m ordinary shares, of which 1.37m have been placed with institutions. The remainder will be retained by two of the vendors.

Further consideration can be payable based on performance of the new division.

T French Australian sale

By Ray Bashford

Thomas French, the maker of curtain styling and narrow fabric products, plans to sell its Australian consumer products business for £1.5m cash.

The sale follows the failure of the Australian company to make profits during recent years. In the 12 months to October 1 last year it ran up a heavier loss of £600,000 (£260,000) on a turnover of £5.2m (£4.9m), and net liabilities at the same date were £200,000.

The sale removes the only loss making operation and will help improve gearing.

Beckenham up to £1.8m via acquisitions

By Andrew Taylor

Beckenham Group achieved an advance in pre-tax profits from £509,000 to £1.87m for the year ended October 31 1988.

A large part of the increase came from new acquisitions, which had changed the group from a distributor of ductwork to the air conditioning industry into a leading supplier of air conditioning, heating and ventilation equipment, and accounted for about three quarters of turnover and profits.

The company also announced plans to move from the Third Market to the USM by the end of July.

Mr Christopher Egleton, chairman, said turnover in the year soared from £5.8m to £40.5m.

Profits from the orginal ductwork business had increased by about 60 per cent as British construction orders rose sharply last year.

Earnings per share last year rose by 95 per cent to 8.6p (4.4p). A final dividend of 1.5p is recommended for a total of 2.5p on increased capital, a rise of 82 per cent.

Getting Europe ship-shape to compete in world markets

Philip Coggan sums up an FT conference to discuss mergers and acquisitions as 1992 edges closer

CLAIMS that large pan-European industrial groups need to be created in order for Europe to compete in world markets should not be taken on trust, said Mr Francis Maude, Minister for Corporate Affairs at the Department of Trade and Industry, speaking at a Financial Times conference on European Mergers and Acquisitions yesterday.

Pointing to Japan, Mr Maude said that its success was built on intense competition in its domestic markets. "The policy has been Darwinian rather than dirigiste," he added.

Mr Maude said that economies of scale were achieved at the level of the factory, the marketing organisation and the distribution chain – not the holding company. "Experience shows that big companies can be poorer innovators than small ones," he said.

The minister spoke about two proposed European Commission initiatives. On the Takeover Directive, he warned that unless the UK was allowed to keep its non-statutory system, there was a danger that US-style litigation would become part of the British acquisition scene.

On the proposed merger control regulation, Mr Maude said there were three main issues to be resolved.

●First, businesses should not be exposed to "double jeopardy," that is, they should not need to seek both national and Community approval for a merger.

●The second issue concerned the turnover level at which mergers would be affected by the regulation. Mr Maude said that the UK, Germany and France believed that only the largest cross-border mergers should be covered.

●The third issue revolved around the criteria by which mergers should be judged. The minister said that the UK and Germany believed the main criterion should be the effect on competition, whilst others wanted much wider criteria.

Much discussion at the conference centred on the planned introduction of a single European market on December 31 1992. Mr Fernand Braun, director-general, internal market and industrial affairs at the European Commission, pointed to studies which showed that cost savings of Ecu 200bn would result from 1992 as well as additional economic growth of about 5 per cent of Community GDP.

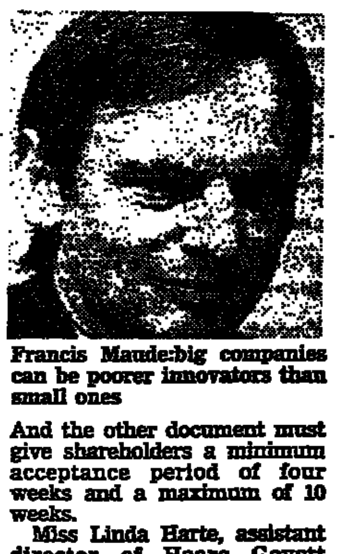
He said that it was not appropriate "to consider competition policy and industrial policy as entirely separate. On the contrary, I would maintain that industrial efficiency requires fair competition."

On the question of merger rules, Mr Braun said that the latest proposal for the turnover level, above which mergers would be subject to Community control, was Ecu 2bn.

The current proposals envisage that the Commission should make a decision on merger approval within one to four months.

The proposed directive on takeovers was designed to be a minimum rule, said Mr Braun, leaving member states the possibility of introducing other, more detailed, provisions.

The fundamental principle of the directive will be that all shareholders should receive equal treatment. Bids must be launched if shareholdings reach the 30 per cent level.



Francis Maude:big companies can be poorer innovators than small ones

And the other document must give shareholders a minimum acceptance period of four weeks and a maximum of 10 weeks.

Miss Linda Harte, assistant director of Hoare Govett Investment Research, pointed out that although the amount spent by UK companies on EC acquisitions doubled last year to £2bn, it was still well short of the £17bn spent in the US.

Miss Harte said that language difficulties, the fragmented nature of the European market and the barriers against hostile takeovers meant that UK acquisition spending was unlikely to switch from the US to Europe.

Several executives highlighted the experience of their own companies in European mergers and acquisitions. Dr Thomas Gasser, deputy chief executive officer of ABB, detailed the background to the merger between Asea and Brown Boveri in 1987.

He said that one of the greatest problems was the amount of information given to employees. Some felt they were sent too many documents; some too little; and the difficulties were compounded by the fact that information circulated much more quickly through the media than through management structures.

Dr Gasser said that the merger, prompted by the feeling that both companies were "too big to die, and to small to live well," appeared to have triggered off a wave of restructuring among the group's competitors.

The approach of 1992 had affected other companies. Mr Robert Jaunich, executive vice-president at Jacobs Suchard Management & Consulting, who was the chairman of the conference, said that Suchard was in the process of rationalising its distribution system on a European-wide basis in order to meet the challenge of 1992.

Mr Bo Rydin, chairman and chief executive officer of Svenska Cellulosa, commented on a disturbing trend in the acquisitions market. He said that the auction method was becoming increasingly popular among sellers.

However, in his view, the auction method gave too much weight to the price paid for the company. As a result, the wrong buyer might appear, jeopardising the sound development of the company.

In addition, Mr Rydin said that European acquisition targets now fetched large premiums over their net worth, a development spurred by use of the auction method. This created a large goodwill element in purchase prices and that meant accounting methods sometimes exercised a decisive influence on whether a transaction was feasible.

Industrial disputes push Titaghur further in red

By Fiona Thompson

TITAGHUR Jute, maker of jute products, yesterday published its second set of annual accounts in three months, reporting a pre-tax loss of £5.6m for the year to June 30 1987 on turnover of £29.14m.

Last November Titaghur announced a £4.88m pre-tax loss on sales of £40.14m for the year to June 30 1986. Next month, on the 23rd, the results for 1987/88 will be reported, finally bringing the outstanding statutory affairs of the company up to date, Mr Reg Brealey, chairman, said yesterday.

Titaghur is incorporated in Scotland but its operating factories are all in India. Mr Brealey took over last September after suggesting to the then Indian management that he should pay the outstanding fees which had prompted the Stock Exchange to suspend the company's listing, and that he should join as a director.

This was accepted, the fees paid and the suspension lifted.

Mr Brealey said yesterday's figures would be very quickly updated with next month's announcement. Industrial disputes had led to the closure of some of the factories for long periods - resulting in the fall in sales - but the situation was much improved and all the factories were expected to be back to full production shortly.

Fleming Claverhouse

Fleming Claverhouse Investment Trust had a net asset value of 280.5p per share at December 31 1988 compared with 6.25p a year earlier.

Earnings per share were ahead from 6.4p to 8.17p. A recommended final dividend of 5.55p makes a total of 7.25p (6.25p).

CONTRACTS

Lawrence wins £14m

WALTER LAWRENCE CONSTRUCTION has been awarded contracts valued at more than £14m. In London, Walter Lawrence City & Southern has commenced work on a £1.8m office scheme in Bunhill Row, EC1, for the Scottish Metropolitan Property. At Burnsall Street, SW3, another three-storey office and high quality residential contract for £1.6m has started for clients Elmex/Ridson.

Walter Lawrence is also carrying out a £1.1m fitting-out contract at Gainsford Street, SE1, for London Law & Land with architects Wickham & Associates; the refurbishment of corporate entrance lobby and trading rooms for Barclays Bank, Angel Court, EC2; repairs to Hackney College, £14 for the ILEA; external works at Upton Road, Watford, for Joyhelm and an office fit-out at 85 Gracechurch Street, EC3, for Eagerpath.

Walter Lawrence Western has secured three projects in Avon. Two residential schemes, which are being carried out in Weston-super-Mare, are for 92 flats in an eight-storey block in Beach Road on behalf of Abbey National Homes and 44 sheltered flats at Carlton Street for Anglia Housing - at a cost of £5.1m and £1.65m respectively.

A £1.6m sheltered housing scheme for 43 flats for Abbey National Homes is being undertaken in Winscombe, Avon.

Steel work at Little Britain development

A £12m contract for the Little Britain development in London has been won by REDPATH DORMAN LONG, part of the Edinburgh-based offshore and structural division of Trafalgar House.

The multi-tiered building of 21 storeys encompassing 34,000 sq metres of offices and 12,000 sq metres of residential/workshop accommodation will use 8,000 tonnes of steel fabricated at RDL's Glasgow works.

The contract, awarded by Wimpey Construction Management, also includes the on-site construction of the steel. Work will start in February and the planned completion date is 12 months later.

Luton office blocks

COSTAIN CONSTRUCTION, a subsidiary of Costain Group, has been awarded a contract worth in the order of £13m by Lygtun for the construction of three office buildings at The Centre, Capability Green, Luton. This is a business park comprising 85 acres, including 17 acres of mature woodlands, near the Luton Hoo estate.

The business park has been influenced by the heritage of Capability Brown's landscaping designs. Brown was responsible for transforming some 4,000 acres of parkland that surrounded the manor house of Luton Hoo.

The contract comprises the construction of three open plan office buildings with a total floor area of about 110,000 sq ft and a separate in situ concrete-decked car park together with associated engineering services, drainage, external works and landscaping.

The buildings will have reinforced concrete foundations and ground slab and the superstructure will be a structural steel frame on concrete pad foundations. The external walls consist of a precast concrete internal skin with brick cladding externally and double glazed windows.

The on-site access roads and car parking area will be constructed using interlocking concrete paving blocks on appropriate granular material sub-base. Precast concrete kerbs, channel blocks and edgings will be provided as necessary on a concrete base. Completion is expected towards the end of March 1990.

COMMODITIES AND AGRICULTURE

Aggressive selling drives LME copper prices lower

By Kenneth Gooding, Mining Correspondent

THE COPPER price fell sharply again yesterday and is now nearly £200 a tonne below the record level seen on the London Metal Exchange at the end of January.

Analysts suggested, however, that the fall would be temporary because demand for copper remained high and stocks, in spite of recent increases, were still low.

Mr John Harris of Rudolph Wolff, the London metal broker, said copper had suffered "a vicious fall." There had been pressure from aggressive selling in London, mainly for technical reasons but also because the expected first-quarter surge in demand for the metal had not materialised. "People have lost their nerve. But nothing has changed except sentiment."

Another analyst pointed out that the threat of stoppages or strikes by major South American producers had died away, resulting in heavy liquidation and profit-taking in copper which touched a record £1,868 a tonne for three-months metal on the LME on January 24.

The shift in speculative funds away from base metals to the fast-rising equity markets had also taken its toll.

Mr Michael Spriggs of Warburg Securities predicted the recent copper price fall would be "a temporary blip."

Warburg is still predicting that copper prices will move up in the first quarter of this year compared with the final three months of 1988 and projects an average of $1.20 a lb or $2,645 a tonne.

The price is expected to ease back as the year progresses, Mr Spriggs said.

Mr Harris pointed out that, even after the recent drop, the three-month price for copper remained high last night – $2,850 a tonne or $1.30 a lb.

He suggested the weakness in the price might last another two weeks. "But the market is oversold and should rally," he added.

Copper's fall dragged down most other metal prices on the LME with only nickel remaining untouched. Mr Andrew Smith of Phillips and Drew summed up by saying: "The mood of the market is negative at the moment. Sentiment has changed because it is not getting its daily dose of strikes."

Frosts ruin harvests in Israel and Jordan

By Laura Blumenfeld in Jerusalem

HARSH WEATHER in Israel and Jordan has put farmers' hopes for a profitable season on ice.

Mr Marwan Al-Hmmoud, Jordan's Agriculture Minister, said on Monday that three successive frosts since November have ruined fruit and vegetable harvests, causing shortages and high prices in the domestic market.

Vegetable exports from Jordan to nine European countries have dwindled to one or two tonnes a day, far less than the anticipated 40 to 42 tonnes, according to Mr Mazen Abdul-Qader, an official at the Jordanian state-owned marketing and processing company.

Early estimates of damage in Israel were put as high as $100m. The cold weather – which was described by Mr Naftali Yaniv, Israel's Agriculture Ministry spokesman, as the severest in the state's history – destroyed most of the crops in the country's southern Negev and Arava regions.

The hardest-hit produce in Israel includes tomatoes, mangoes, strawberries, citrus and avocados, all of which fetch high prices in overseas markets.

Officials at Agrexco, the state-run agricultural marketing board, had planned to export 7,000 tonnes of tomatoes this season. They now expect a maximum of 3,000 tonnes and $6m to $8m in losses.

Palestinian farmers in the Israeli occupied territories were not spared.

According to Mr Khalid El Kuttab, head of the Agricultural Co-operatives Union in the West Bank, more than 50 per cent of the crops in the fertile Jordan Valley have succumbed to the freezing temperatures.

Mr Kamael Al Azzdah, head of the agricultural union in the Gaza Strip, said that all produce grown in the open air and approximately 70 per cent of the polythene-protected crops were wiped out.

Israeli farmers have inundated the office of the Natural Disasters Fund with requests for compensation. Mr David Ginzberg, the fund's chief assessor, said that without massive help, many of the country's farmers could go under.

Mr Shimon Peres, Israel's Finance Minister, said on Monday that he expected demands for compensation to exceed $50m.

Mr Avraham Katz-Oz, Israel's Agriculture Minister, is expected to ask for the emergency relief at Sunday's cabinet meeting.

Forests pay as Ghana loses out

William Keeling on the timber industry's tragic change of fortunes

ON DECEMBER 31 Ghana celebrated the seventh anniversary of the coming to power of Flt-Lieut Rawlings. It was a day when diplomats curried favour by attending a spectacular military pageant in the national stadium and businessmen bought up advertising space in the state-owned People's Daily Graphic for expressions of support.

Prominent among the latter was A.E. Saoud, timber merchant, which proclaimed its "Heartiest Congratulations to the Members of PNDC! [the Government] and the people of Ghana of the occasion of Ghana's Revolution. Long Live the PNDC! Long live Ghana!"

Money down the drain, the firm's employees must have thought, for on the previous day their company had been compulsorily closed and its assets, along with the bank accounts of its directors, frozen. It was one of 15 companies so affected as the Government took action following months of investigation into mass corruption within the industry.

Only a year ago officials still regarded timber as the great success story of Ghana's Economic Recovery Programme, with export revenue rising from $12m in 1982 to $80m in 1987. The Government unashamedly admits that it viewed the exploitation of the forest reserves as the most effective way out of the dire economic crisis which the nation faced.

Bilateral and multilateral donors agreed, and gambled more than $140m in loans. The annual cut from the forest reserves increased from 578,000 cubic metres in 1984 to an estimated 1.15m cu m last year.

An inventory project of the nation's forest reserves is being conducted by the Overseas Development Agency; details for half the 4.7m hectares will be ready by April and are likely to indicate that the reserves are capable of a sustained annual yield of 1.25m cu m.

So on the surface the timber industry is coming up roses.

Dig a little deeper, however, and disquieting facts begin to emerge. At the beginning of this century the high forest zone in Ghana stood at 8.2m hectares. With the surge in population, much has been reduced to farmland but as yields on felled land decrease so more forest is cleared just to provide for present needs.

As the contradictions of the situation worsen the dark-winged spectre of Malthus draws ever closer. The scale of deforestation outside the reserves is such that the Forestry Commission estimates that it accounts for more than 30 per cent of timber industry production. To make matters worse the discarded farmlands are breeding grounds for fire-prone woods which fuel the growing problem of bushfires.

Until last year, these were subjects of concern on the periphery of success, and the increase of exports from the reserves was within the parameters of sustainable yield.

Now it appears that for all their efforts the Ghanaian government may have made a net loss. The reason is two-fold. Firstly, some $90m of donor money went to purchase transportation machinery, which should be written off the books after three years. A seven-fold rise in earnings to $80m a year may seem impressive, but not when you have a $30m annual debt repayment on transport alone.

The second problem is that timber companies, agents and officials from controlling government bodies have discovered that money really does appear to "grow on trees." The industry is riddled with human woodworms, their pockets bulging with illegal cash.

A consulting firm, Silviconsult, was appointed by the World Bank. It directed that a Timber Export Development Board should be created to oversee a network of accredited agents to promote Ghanaian timber abroad and obtain the best prices.

Many such agents have been revealed as consorting with the Ghanaian timber merchants by accepting offers from sister front-companies at low prices. The same sister companies are also accused of over-pricing machinery and equipment paid for by international donor loans, while claiming to be foreign manufacturers and suppliers.

The actual export of timber is authorised by the Forest Products Inspection Bureau, an official body similarly recommended by Silviconsult. Shipments rechecked by Ghana's National Investigations Committee have been found incorrectly invoiced, not only in price but also in the wood type being exported.

Most shocking of all is that a number of consultants, having set up the bureaucracy, became the overseas agents who abused it; and a Dutch company, Bekol BV, accused by the investigation committee of malpractice, recently recruited as their local representative the Silviconsult adviser appointed as chief executive of the inspection bureau.

On December 31 he was asked to leave the country, as have representatives of GHA Holzimport Agentur, owned by Mr Fritz Offerman who, according to the NIC, is "known to operate the largest mill in Germany."

Efforts are now under way to try to recover some of the money: a four-week amnesty has been declared and Mr Nana Wood, managing-director of Helox and Priorities Timber, the first to be indicted, has offered to repatriate $500,000. It is unlikely that his counterparts abroad will be so generous.

While the employees of A.E. Saoud may feel that advertisement was a waste of money, the owners are most probably laughing all the way to the bank. The sad irony is that this bank will be in one of the countries which provided the initial loan to resuscitate Ghana's timber industry, only to increase its debt.

Lihir gold deposit may be the largest outside South Africa

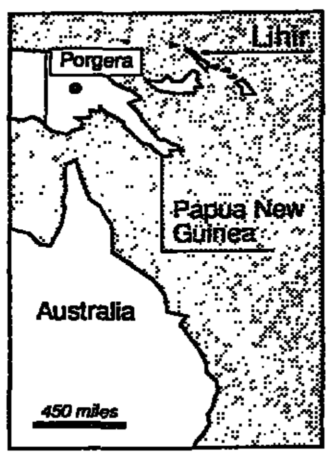
By Kenneth Gooding

EVIDENCE IS emerging which suggests that the gold deposit at Lihir Island, Papua New Guinea, is the largest found so far outside South Africa.

The Lihir project is one of the plums in the basket of mineral assets about to be sold by British Petroleum to the RTZ Corporation for $4.32bn.

The Lihir gold was discovered in 1983 by Niugini Mining, an Australian group which retains a 20 per cent interest.

Niugini says it has been told by BP Minerals America, which has the other 80 per cent interest and is project manager, that reserves of gold at Lihir have risen to 42.72m troy ounces or 1,328 tonnes.



Although these are very preliminary estimates, the huge size of the deposit makes it even more likely that, when it acquires the asset, RTZ will give the go-ahead for mining to begin at Lihir in spite of the substantial physical difficulties entailed.

The gold at Lihir is in the crater of an active volcano and some of the rock will have to be cooled with piped sea water. The gold is also locked up in highly refractory (heat-resistant) rock and requires oxidising by heating the ore to very high temperatures in roasters or autoclaves if recovery rates are to be reasonable.

BP told Niugini that the reserves figure included 28.5m ounces in the "proven and probable" categories using a cut-off grade of 1 gram of gold per tonne of ore. At a slightly higher cut-off of 1.5 grams a tonne, the total stands at 24.45m ounces. BP says there are a further 14.22m ounces in the "possible" category, falling to 10.91m ounces at the higher cut-off point.

However, BP adds a cautionary note and points out that the reserves are subject to final audit and the cut-off grades it used are arbitrary and not necessarily economic values.

It says that a feasibility study involving three specialist engineering groups – Stearns Rogers, Kinhill and Davy McKee – has established production rates and a schedule.

If the go-ahead is given, the schedule envisages that oxide ore mining will start in the third quarter of 1991 at an annual rate of 3.8m tonnes of ore. Mining of sulphide ore would start in the third quarter of 1992 at a rate of 4m tonnes a year.

Tests suggest 92 per cent of the metal would be extracted from both oxide and sulphide ores, BP said.

The group said some time ago that it had spent $60m on early work at Lihir and that the mine could be producing between 400,000 and 500,000 ounces of gold a year in the early 1990s.

Mr Geoffrey Louden, chairman of Niugini Mining, pointed out in his latest quarterly report that the Lihir deposit remains open to further exploration and more gold could be found. "We have been putting down further drill holes for geotechnical and geothermal data and have come up with more gold shows. It is hard to drill anywhere in this area and not find gold," he added.

● Papua New Guinea's environment minister Mr Jim Waim has withdrawn his opposition to the Porgera gold project on the country's mainland, opening the way for its early approval by the cabinet, Reuter reports from Port Moresby.

Mr Waim would no longer require a costly tailings dam to be built as he now accepted the area was too unstable.

Mr Vic Botts, the project manager, said there was a good chance the mine might not have been developed if the Government had insisted on the dam.

He said: "Everything appears to be going well. We hope to get project approval in the very near future."

Work on the mine could begin within two weeks of approval being given and gold production would begin 15 months later, Mr Botts said.

Porgera, a joint venture between Placer Pacific, Renison Consolidated and MIM, has gold reserves totalling more than 400 tonnes and output is expected to average 800,000 ounces a year for the first six years.

Danes take educated approach to ending fur sales recession

By Hilary Barnes in Copenhagen

IN COPENHAGEN, fur tends to be conspicuous by its absence at fashion displays, a matter of concern for Saga, the Danish-based Scandinavian fur marketing company. So the company has decided that it is time to do something about it.

To this end it has recently opened the Saga International Design Centre, just north of Copenhagen, where special courses in the use of fur are being held for students from design schools from all over the world.

The centre is thought to be the only one of its kind in the world and it gives the students an opportunity they are not otherwise likely to get: fur is simply too expensive for use in the normal design school curriculum.

About 45 students a year will be given three-week courses, sponsored by Saga. The first batch, including representatives from Hong Kong and Japan as well as from Europe, has just completed the inaugural course.

But no matter how successful the design centre may be in the longer term, it is unlikely that it will do much to help the fur farmers through their present problems.

The farmed mink and fox fur industry is currently going through its worst recession since 1954, according to Saga.

The weakness of the US dollar, the mildness of the European winter and overproduction by the Scandinavian fur farmers, who dominate the world market, have all contributed to a severe collapse in fur prices.

The price for Danish mink pelts has dropped from DKr 293 (£23) in 1986 to DKr last year, and lower prices still are expected at the spring fur auctions in Copenhagen, Helsinki and Oslo.

Mr Wils Liljestrand, head of information at Saga, estimates that about 15 per cent of the 35,000 fur farmers in the Nordic countries will be forced by the depressed market to close down their operation this year.

Production of Nordic mink and fox furs has boomed over the past 20 years, with the number of furs sold worldwide jumping from 10.8m in 1970 to 20m in 1987.

Producers in the Nordic countries account for about half of world market sales of mink pelts and close to 80 per cent of the market for farmed fox pelts.

In the mink market the Nordics are trailed by the US and the Soviet Union, each of which produce about 4.5m furs, while Poland is the second biggest supplier of fox furs, producing about 500,000 a year, which compares with the Nordics' 4.5m.

The sales value of Nordic mink and fox pelts in 1987 was DKr 5.87bn.

Weekly Metals

Prices from Metal Bulletin.

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,050-2,125 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 6.65-6.80 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots and sticks 8.00-8.20 (8.10-8.30).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.65-7.85 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 275-290 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.57-3.63 (3.53-3.56).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 8.20-8.70 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 55-64 (same).

VANADIUM: European free market, min. 98 per cent, VO, cif 10.90-11.25 (10.45-11.25).

URANIUM: Nuexco, $ per lb, U 14.15 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC FOLLOWED coppers' downward lead on the London Metal Exchange yesterday with the cash position for high grade metal closing $65 down at $1,757.50 a tonne. Traders said speculators were continuing to unwind long positions entered into earlier in the year when threats to production in various areas were causing nervousness about the nearby supply situation. But, with the fundamental situation remaining tight, they thought the downside correction was likely to be limited. In contrast aluminium was boosted by fresh trade buying and Monday's decline was recouped. The cash price closed at $2,187.50 a tonne, up $40 on the day, widening the premium over three months metal by $17.50 to $29 a tonne. Cocoa prices regained some of their recent losses as London traders responded to the firmer tone in New York.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.45-4.55z	+.125
Brent Blend	$16.60-6.70w	+0.20
W.T.I. (1 pm est)	$17.50-7.55x	+0.05

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$182-185	-1.5
Gas Oil	$138-140	-4
Heavy Fuel Oil	$69-70	-3.5
Naphtha	$160-162	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$392.75	+4.75
Silver (per troy oz)♣	593c	+12
Platinum (per troy oz)	$531.5	+10.0
Palladium (per troy oz)	$141.0	+1.25
Aluminium (free market)	$2165	-10
Copper (US Producer)	140⅝-144c	
Lead (US Producer)	38.5c	
Nickel (free market)	815c	+5
Tin (European free market)	£4430	-15
Tin (Kuala Lumpur market)	20.51r	
Tin (New York)	352.0c	+0.5
Zinc (US Prime Western)	76⅞c	
Cattle (live weight)†	108.52p	-0.81*
Sheep (dead weight)†	132.75p	-7.63*
Pigs (live weight)†	77.92p	+0.67*
London daily sugar (raw)	$258.0x	+6.2
London daily sugar (white)	$287.5x	+3.5
Tate and Lyle export price	£258.0	+3.5
Barley (English feed)	£113.5	-1.5
Maize (US No. 3 yellow)	£132	-1
Wheat (US Dark Northern)	£125.5v	
Rubber (spot)♥	61.25p	
Rubber (Mar)♥	71.50p	
Rubber (Apr)♥	72.00p	
Rubber (KL RSS No 1 Mar)	312.0m	
Coconut oil (Philippines)§	$535u	-12.5
Palm Oil (Malaysian)§	$402.5q	
Copra (Philippines)§	$370w	
Soyabeans (US)	$181x	
Cotton "A" index	63.60c	+0.05
Wooltops (64s Super)	678p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr/May. u-Mar/Apr. q-Apr/Jun. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	843	836	846 830
May	855	847	858 839
Jul	849	840	854 831
Sep	844	838	847 830
Dec	849	850	858 845
Mar	844	855	849 840
May	852		860 850

Turnover: 7210 (4494) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 6: 1103.88 (1105.55); 10 day average for Feb 7: 1105.63 (1106.53).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1180	1183	1190 1175
May	1151	1155	1162 1147
Jly	1135	1143	1155 1133
Sep	1135	1141	1140 1125
Nov	1123	1141	1135 1126
Jan	1121	1130	1129
Mar	1123		1129

Turnover: 1873 (2116) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 6: Comp. daily 122.16 (120.87). 15 day average 122.59 (122.64).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	227.20	230.20	230.40 226.40
May	231.00	232.20	233.00 229.60
Aug	230.00	231.60	232.40 232.00
Oct	226.60	228.80	228.60 225.00
Dec	224.60	227.00	224.00

White	Close	Previous	High/Low
Mar	285.00	286.00	283.00
May	273.50	274.60	277.50 272.50
Aug	273.00	274.00	274.00 272.00
Oct	265.00	265.20	268.50 265.00
Dec	263.00		274.00 263.00
Mar	259.00		258.00

Turnover: Raw 2142 (2199) lots of 50 tonnes. White 1230 (1149).
Paris- White (FFr per tonne): Mar 1786, May 1740, Aug 1740, Oct 1690, Dec 1675, Mar 1665

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2050	144	158	11	62
2150	73	105	40	108
2250	29	65	95	164

Copper (Grade A)	Calls		Puts	
2800	193	191	43	169
3000	82	112	130	285
3200	26	62	273	430

JUTE
February/March c and f Dundee BTC $475, BWC $485, BTD $425, BWD $435; c and f Antwerp BTC $455, BWC $445, BWD $400, BTD $410.

COTTON
Liverpool- Spot and shipment sales for the week ended February 3 came to 890 tonnes against 322 tonnes in the previous week. Orders moved fast with interest showing mainly in Israeli and Californian goods.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 14,325 tonne
Cash	2185-90	2145-50	2160	2163-5		
3 months	2158-9	2135-7	2178/2145	2145-50	2175-80	26,069 lots
Copper, Grade A (£ per tonne)						Ring turnover 38,500 tonne
Cash	1703-5	1780-5	1758/1728	1728-8		
3 months	1649-50	1714-5	1691/1649	1668-70	1660-1	64,220 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	587-9	578-80		585-7		
3 months	600-2	591-4		598-600		380 lots
Lead (£ per tonne)						Ring turnover 7,950 tonne
Cash	359.5-61	366-7	360/359.5	360-0.5		
3 months	364.5-65	369.5-70	367/364	364.5-5	365-6	9,646 lots
Nickel ($ per tonne)						Ring turnover 482 tonne
Cash	18050-150	18050-150	18200/18100	18150-200		
3 months	17650-750	17700-75	17750/17650	17700-800	17700-50	6,230 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 5,725 tonne
Cash	1835-43	1925-35	1880	1875-80		
3 months	1783-7	1855-60	1824/1785	1823-5	1800-10	4,097 lots
Zinc ($ per tonne)						Ring turnover 12,625 tonne
Cash	1755-60	1820-30	1795/1790	1790-5		
3 months	1712-3	1780-4	1755/1708	1732-5	1720-30	11,843 lots

POTATOES £/tonne

	Close	Previous	High/Low
Apr	71.6	69.7	72.5 69.5
May	86.0	83.7	87.9 83.5
Nov	90.0	87.0	90.0 87.0
Feb	102.0	97.5	100.0

Turnover 271 (204) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	161.00	162.00	161.50 161.00
Jun	152.50	157.00	152.50
Aug	150.00		150.00

Turnover 186 (71) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Feb	1499	1500	1505 1490
Mar	1548	1550	1560 1545
Apr	1580	1572	1585 1570
Jul	1404	1400	1411 1395
Oct	1540	1540	1540 1527
Jan	1565		1555 1550
Apr	1600	1610	1600
BFI	1542	1553	

Turnover (844)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	111.85	111.90	112.20 111.85
May	115.65	115.66	116.00 115.85
Jun	117.45	117.55	117.45
Sep	103.00	103.00	103.00
Nov	105.50	105.45	105.50 105.45
Jan	109.00	108.95	102.00
Mar	112.10	112.10	112.10

Barley	Close	Previous	High/Low
Mar	109.75	109.80	110.00 109.75
May	111.75	111.75	111.75
Sep	100.00	100.10	100.10 100.00
Nov	103.15	103.35	103.15

Turnover: Wheat 196 (109), Barley 50 (5).
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	392½-393	225-225½
Opening	391½-392	225¼-225¾
Morning fix	391.45	225.243
Afternoon fix	391.00	224.997
Day's high	392½-393	
Day's low	390¾-391¼	

Coins	$ price	£ equivalent
Mapleleaf	404-409	231½-234½
Britannia	404-409	231½-234½
US Eagle	404-409	231½-234½
Angel	404-409	231½-234½
Krugerrand	391-394	224-226
New Sov.	92¼-93¼	52¾-53½
Old Sov.	92¼-93¼	52¾-53½
Noble Plat	533.90-542.80	307.20-312.30

Silver fix	p/fine oz	US cts equiv
Spot	339.55	590.15
3 months	350.30	604.00
6 months	360.60	618.05
12 months	380.70	647.60

CRUDE OIL $/barrel

	Close	Previous	High/Low
Mar	15.99	16.00	16.00 15.73
Apr	15.60	15.57	15.63 15.38
IPE Index	15.96	16.22	

Turnover: 5033 (2465)

GAS OIL $/tonne

	Close	Previous	High/Low
Feb	139.25	143.50	143.25 138.75
Mar	138.50	142.00	141.75 138.25
Apr	136.50	139.50	139.25 136.50
May	134.00	136.00	136.25 134.00
Jun	132.50	134.00	134.00 132.00
Jul	133.25		133.25 133.00

Turnover 12568 (9524) lots of 100 tonnes

US MARKETS

FOLLOW-THROUGH selling from yesterday's decline kept pork bellies and hogs under pressure as larger-than-expected hog runs and lower retail demand continued, reports Drexel Burnham Lambert. Light short-covering did emerge at lower levels, however. Cattle recovered despite spill-over selling from the other meats as cash prices firmed and in anticipation of a friendly USDA cattle inventory report. The grains continued with moderate activity. Wheat was firm on indications of Soviet bidding for Argentinian wheat with the possibility of their bidding for U.S. wheat later in the week. However, new crop contracts came under pressure as a result of a moderation in the weather. Both maize and soyabeans were firm in response to cash prices, bean oil was under pressure, while meal, although lower, saw underlying strength. An announcement of a forthcoming O.P.E.C. meeting helped steady crude oil and unleaded gasoline futures, prompting good buying in both markets. In the heating oil, however, heavy selling by one house in the nearby March contract was rumored to reflect a possible build-up of stocks

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	392.3	394.0	394.3	392.7
Mar	393.8	395.2	0	0
Apr	395.5	396.9	397.8	394.7
Jun	400.5	402.0	402.8	399.8
Aug	405.9	407.4	408.0	405.5
Oct	411.4	412.9	413.0	412.5
Dec	416.9	418.4	419.3	416.5
Feb	392.3	394.0	394.3	392.7
Apr	428.1	429.6	429.5	429.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	531.4	527.3	0	0
Mar	531.6	527.5	532.0	532.0
Apr	531.9	527.8	535.5	526.5
Jul	529.1	526.3	531.0	527.0
Oct	528.8	525.8	532.0	528.0
Jan	529.5	526.8	0	0
Apr	532.8	528.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	585.8	589.7	588.0	586.0
Mar	589.0	593.5	597.0	587.8
Apr	594.0	598.5	0	0
May	599.2	603.7	606.5	598.0
Jul	609.7	614.1	617.5	608.5
Sep	619.9	624.3	626.5	620.0
Dec	634.8	639.2	642.5	636.5
Jan	639.2	643.6	0	0
Mar	649.7	654.2	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	133.50	131.50	133.50	133.50
Mar	131.50	130.15	132.70	128.20
Apr	126.75	125.60	126.30	126.30
May	124.75	122.80	125.00	121.00
Jul	118.20	115.60	118.30	114.50
Sep	114.95	113.00	114.08	112.80
Dec	112.20	110.50	112.50	110.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	17.56	17.38	17.61	17.22
Apr	17.07	16.89	17.12	16.76
May	16.75	16.58	16.79	16.47
Jun	16.49	16.31	16.53	16.22
Jul	16.23	16.11	16.27	16.03
Aug	16.02	15.93	16.08	15.88
Sep	15.95	15.82	16.00	15.72
Oct	15.90	15.75	16.00	15.70
Nov	15.86	15.70	15.86	15.72

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	4940	5036	5010	4920
Apr	4735	4784	4750	4695
Jul	4360	4370	4360	4325
Aug	4400	4415	4405	4376
Sep	4445	4460	4470	4440

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1509	1530	1544	1480
May	1430	1416	1448	1420
Jul	1390	1382	1405	1385
Sep	1370	1365	1378	1365
Dec	1350	1353	1360	1355
Mar	1345	1353	1355	1340

COFFEE "C" 37,500lbs; cents/lbs.

	Close	Previous	High/Low	
Mar	141.34	138.00	141.50	138.25
May	133.84	131.36	135.90	131.70
Jul	131.59	129.82	131.90	128.75
Sep	128.75	127.20	128.75	127.00
Dec	126.49	124.25	126.49	125.30
Mar	127.00	124.60	125.00	125.00
May	124.88	120.75	0	0
Jul	123.63	118.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.22	10.32	10.34	10.15
May	10.26	10.37	10.38	10.22
Jul	10.22	10.31	10.33	10.13
Oct	10.08	10.13	10.14	9.99
Jan	9.65	9.66	0	0
Mar	9.86	9.95	9.95	9.90
May	9.85	9.93	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.43	59.72	59.53	59.05
May	59.87	60.04	59.88	59.35
Jul	59.75	59.93	59.90	59.40
Oct	58.75	59.05	58.85	58.55
Dec	58.75	58.80	58.75	58.40
Mar	58.65	58.85	0	0
May	59.15	59.10	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	136.00	135.40	137.25	135.00
May	134.30	133.55	134.70	132.35
Jul	133.50	133.70	134.25	132.50
Sep	133.20	133.30	133.60	132.00
Nov	129.75	129.10	130.00	129.00
Jan	126.70	126.10	126.80	127.50
Mar	127.70	127.10	127.75	127.75
May	127.70	127.10	0	0
Jul	127.70	127.10	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	757/4	754/2	760/0	751/4
May	768/0	764/4	769/0	762/0
Jul	774/0	771/6	776/4	768/4
Aug	770/0	767/4	771/0	765/4
Sep	744/0	743/4	747/0	742/0
Nov	727/0	726/6	730/4	726/0
Jan	735/0	733/4	737/4	732/0
Mar	741/0	740/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.67	21.81	21.82	21.61
May	22.21	22.25	22.35	22.13
Jul	22.70	22.80	22.84	22.65
Aug	22.92	22.98	23.00	22.87
Sep	23.75	[illegible]	23.25	23.10
Oct	23.25	23.27	23.30	23.25
Dec	23.45	[illegible]	23.55	23.45
Jan	23.55	[illegible]	23.60	23.55
Mar	23.56	[illegible]	23.60	23.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	242.6	241	242.8	240.0
May	240.1	240	241.0	238.0
Jul	237.7	237	238.5	236.0
Aug	235.8	235.3	235.0	234.0
Sep	230.0	229.5	230.5	228.0
Oct	223.0	223.0	223.0	222.0
Dec	220.5	220.5	222.0	220.0
Jan	221.0	220.5	221.0	220.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	267/6	266/4	268/0	265/6
May	274/2	272/6	274/2	272/0
Jul	278/0	276/4	278/2	275/6
Sep	270/6	270/0	272/0	269/2
Dec	270/4	269/6	271/0	268/4
Mar	277/0	276/4	277/2	275/2
May	278/4	278/0	279/0	278/0

WHEAT 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	427/2	425/6	427/4	425/0
May	426/0	424/2	426/4	424/0
Jul	408/2	406/2	408/4	406/4
Sep	412/0	414/0	413/4	411/4
Dec	425/2	424/4	424/4	422/0
Mar	428/2	426/4	427/4	426/6

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	75.67	75.40	75.80	75.30
Apr	76.70	76.45	76.85	76.35
Jun	75.67	75.30	75.75	75.20
Aug	73.57	73.35	73.75	73.20
Sep	73.08	72.60	73.00	0
Oct	72.67	72.35	72.90	72.25
Dec	73.75	73.30	73.90	73.35

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	42.30	42.70	42.75	42.00
Apr	41.65	41.90	41.87	41.30
Jun	46.97	46.95	47.20	46.62
Jul	47.32	47.25	47.60	46.95
Aug	46.62	46.62	46.86	46.30
Oct	43.95	43.57	44.00	43.45
Dec	45.35	45.30	45.80	45.35
Feb	46.65	46.60	46.85	46.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.60	38.2	38.80	
Mar	38.30	38.3	38.70	37.72
May	39.55	40	39.80	37.55
Jul	40.45	41	41.00	38.75
Aug	39.95	40.6	40.55	38.77
Feb	54.40	54.8	54.40	39.45
Mar	51.80	52.6	0	53.50
May	54.40	54.40	0	51.90

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 6	Feb 3	mnth ago	yr ago
1968.1	1976.4	1967.0	1721.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 6	Feb 3	mnth ago	yr ago
Spot	135.74	136.64	[illegible]	129.56
Futures	139.27	139.70	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Foreign markets lead equities higher

STRONG PERFORMANCES in both Tokyo and New York provided the trigger for the resumption of the advance in the London equity market yesterday. Institutional interest was on a modest scale, but the evident absence of serious sellers was enough to set the stage for widespread gains in the leader stocks when Wall Street came in with an early advance of 20 points on the Dow scale.

Traders were prepared at first for renewed equity weakness in the wake of the upward ajustment in UK December retail sales disclosed on Monday. Despite a new record overnight in the Tokyo market, and anticipation that General Motors' increased dividend payment would boost Wall Street, London's blue chips were easier in early deals, with the FT-SE down nearly four points.

Account Dealing Dates		
*First Dealings:		
Jan 30	Feb 13	Feb 27
Option Declarations:		
Feb 9	Feb 23	Mar 9
Last Dealings:		
Feb 10	Feb 24	Mar 10
Account Day:		
Feb 20	Mar 6	Mar 20

*New time dealings may take place from 9.00 am two business days earlier.

However, there was little selling pressure and the mood turned brighter when a batch of trading programmes, one reputedly worth £120m, hit the market. Share prices quickly turned upwards, led by such international favourites as Glaxo and ICI. The market was 17 FT-SE points ahead when Wall Street came in, a little slowly at first. When New York got into its early stride, London equities soared upwards to close with a net gain of 28.5 at 2072.8.

Yesterday's gain marked a further inroad into the 250 FT-SE point fall suffered on Black Monday, the first, and highly dramatic, day of the crash of October 1987; on the *eve of the crash, the Index* closed at 2301.9.

Equity turnover levels were unimpressive yesterday, however. Seaq volume of 577.1m shares, against 565.5m, indicated a reduction from the 900m totals at the peak of last month's upswing in the equity market.

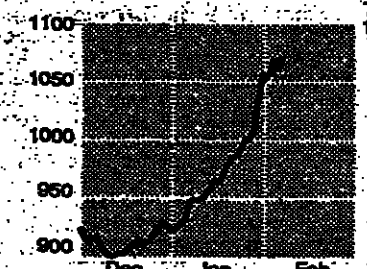
More significantly, Monday's equity volume by value was down to £1.05bn from the £1.8bn to £2.2bn totals of the *final days of January.*

Traders deduced that while selling remains restrained, there is a reservoir of institutional demand which enters the market whenever share prices show signs of faltering.

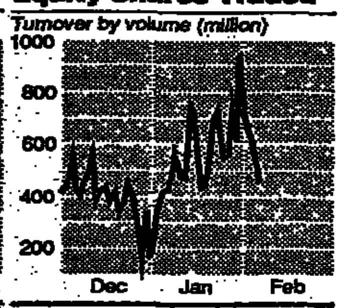
Also pushing shares ahead again yesterday was the desperate shortage of stock which continues to make life difficult for market makers. "Do not underestimate this factor," stressed one trader." It provides the underpinning for forecasts that equities can go to FT-SE 2,200 before meeting a serious check."

The strongest rises came among the blue chip dollar-orientated issues, where ICI and *Glaxo continued to lead the* field and Beecham advanced in good turnover. Fisons, undermined recently by worries over the progress of the race with Lyphomed in the US to successfully develop aerosolised *pentamadine, the anti-Aids* pneumonia drug, returned sharply to favour.

FT-A All-Share Index



Equity Shares Traded



— was exacerbated by some sizeable short positions in the market.

Fisons, recovered strongly from the doubt cast by reports on Lyphomed's progress in the US with its aerosolised Pentamadine drug. At 281p, the shares jumped 17 with 7.9m turned over.

ICI burst through the £12 mark to close 18 better at 1207p although turnover, at 1.4m shares was not dramatic.

Burton Group were a good market among firmer Stores, rising 10¼ to 213p on turnover *of 5m shares. The stock is currently* is favoured by several retail analysts, and Mr Nick Bubb of Morgan Stanley said after hosting a private dinner with the company on Monday: "The management team *appears to be on top of things* and are coming through a difficult trading period in pretty good shape." This sentiment was echoed by another Burton fan, Mr David Robinson at Nikko Securities, who believes *the company has the right* strategy to exploit changing demographic trends and win greater market share in the process.

Second-liners continued to be widely sought, with menswear *group Aquascutum* leading the way as the "A" shares added 10 at 89p. Demand was fuelled by the realisation that the "A" shares were lagging far behind the ordinary variety.

A relatively quiet morning in the electronics leaders gave way to a surge of late buying. Much of the early interest was centred on British Telecom where the spate of profits downgradings, initiated by *BZW and Kleinwort Benson* and subsequently followed by other securities houses, saw Telecom shares down to 276p; they rallied to end the day a fraction harder on balance at 280½p on turnover of 5.1m.

Cable & Wireless, where BZW re-affirmed their positive stance on the stock in the wake of the OFTEL ruling on British Telecom and the recent dollar firmness, jumped 12 to 444p on 2.1m shares.

GEC moved up 6 to 226½p and Plessey hardened to 247½p, after the latest developments in the joint attempt by GEC/Siemens to win MMC approval to renew their bid for Plessey. American buying was said to be responsible for sharp gains in the Racal twins, Telecom and Electronics, with the latter up 8 at 348p and the former a similar amount higher at 275p.

Blue Arrow enjoyed support as investors warmed to the new chief executive's view that the best way to get the shares moving was to provide evidence of real earnings growth. "No gimmicks", he said, while taking time to allay recent fears of possible large-scale disposals including *Manpower,* the US agency. Volume increased sharply to 7.8m shares as the price rose 4 to 91p. The annual profits of £75m. were within the estimated range and made little *impact.*

Boots shares were also bought following a BZW visit and closed 7 up at 261p while British Aerospace strengthened 14 to 538p. A presentation to the Society of Investment *Analysts co-incided* with a good rally in Coloroll, currently favoured by Kitcat & Aitken, which climbed 11 to 175p.

The sale of the loss-making Australian consumer products *subsidiary* pushed *Thomas French* 10 higher to 91p but acutely disappointing annual results pulled Aaronson Bros down 13 to 115p. English China Clays improved to 504p although Sir Ron Brierley's *IEP Securities* has marginally reduced its stake to 4.94 per cent. Smiths Industries shot up 16 to 328p and T&N jumped 11 to 214p.

S & W Berisford gained 2 at 424p after the management *successfully* fought off a demand from major shareholder A B Foods at yesterday's agm that the company's involvement in a US takeover bid be subject to a shareholder vote. Berisford also announced *at the* meeting a 5-for-2 share split, and revealed trading prospects which one dealer described as "mediocre." A B Foods ended 3 better at 354p.

Hillsdown gained 8 at 286p amid suggestions that the Kuwait Investment Office may have been buying more shares, while Hazlewood Foods, talked of as a possible bidder for Fitch Lovell (up 2 at 294p), also added 8, at 257p.

Among steady retailers Sainsbury was a notable poor performer, dropping 1⅛ to 231½p after broking house Hoare Govett downgraded its profits forecast for year-end *March 1989 by £5m to £350m.*

Speculators revived last week's market story that Granada may well be poised to bid for First Leisure, the Lord Delfont-run leisure group which recently announced preliminary profits up 25 per cent. First Leisure shares improved to 196p, up 19 on balance, while Granada were 5 dearer at 381p.

Commercial vehicle manufacturer ERF continued the response to the sharply rising sales, gaining 33 to 486p, while Lucas Industries went with the wider market to end 17 up at 645p.

Persistent US support found stock of advertising agency leader Saatchi & Saatchi limited in the absence of any further selling by a leading domestic house and the shares rebounded 12 to 421p. Charles Barker, on the other hand, dipped to 90p as a sizeable seller completed his business before ending 5 lower on balance at 93p.

Reed International sprang back after Monday's slide, closing 13 higher at 455p, while EMAP jumped 11 to 252p helped by a badly handled buying order.

Property stocks continued to lag behind the market, although Slough Estates were a feature, gaining 1¼ to 353½p on unexpectedly large turnover of 1.7m shares. Dealers said that there has been strong *European demand for the stock* lately, and some corporate activity could be in the offing. Hammerson were unmoved by the news that failed Dutch bidder Rodamco had sold the last of its shares in the UK group, *and the "A" closed a penny* better at 825p and the ordinary 2 firmer at 886p.

Share stake changes aroused bid hopes in Nottingham-based knitwear manufacturer Hicking Pentecost, up 3 at 86p, although new 15 per cent shareholder Parkfield stated that no approach has been made. Telfos rose 8 to 198p following confirmation of the sale *of its 19 per cent holding in* Hicking on Monday.

The oil sector slightly underperformed the rest of the market and volume was disappointingly low, with a handful of exceptions. The two classes of BP rose 2½ and 2 to 274p and 169½p respectively with turnover coming out at only 3.7m for the old and 4.2m for the new.

Burmah, among the best performers in oils during the past few months, reflecting strong buy recommendations and talk of possible takeover activity, turned down on profit-taking allied to switching moves; turnover was 1.4m.

Goal were among the firmest of the second-line issues after positive circulars from the oil teams at Kitcat and Aitken and *County NatWest. The Kitcat oil* team says "a combination of a low premium to asset value and a high exposure to a large tax efficient North Sea drilling programme in 1989 gives scope for substantial capital appreci*ation on a six-to-nine month view".*

County says "Goal is the most highly geared stock to Wytch Farm, revenues from which should help to clear net debt in the early 1990's. The *drilling programme offers* considerable potential to shift the share price."

Dealing commenced in mining finance house Europa Minerals and the over 13m shares issued ran into early demand, climbing to 116p before settling back at 114p, a 14p premium on the issue price.

Rolls Royce was the most heavily dealt stock on the *traded options market, on 3,383* contracts, mostly call, though there was there was the greater opening of interest on the put side. Racal, with 3,220 contracts, almost two-thirds call, stole attention, with com*bination dealing of large size.* Overall turnover was 38,509 contracts, containing 27,040 calls.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 34

Ultramar stakes sold

The latest burst of activity in Ultramar, the UK independent oil group, saw the shares ease at first before embarking on yet another strong performance. At 315½p, the shares were finally a further 4½ up in turnover of 4.7m.

According to the latest stories in the market the 1.6 per cent of the Ultramar equity held between them by Noverco and Unigesco, of Canada, had been sold. Since Paribas last week sold *its* 2.7 per cent stake in Ultramar, yesterday's developments suggest that the 4.3 per cent holding built by the Canadian and French groups acting in concert has been removed.

It remained unclear where these substantial holdings of Ultramar stock had gone, although analysts believe that the Paribas/Noverco/Unigesco holdings found ready buyers in the market. Last week there was specu*lation that another* energy group had acquired the Paribas shares as a platform to bid for Ultramar; British Gas was persistently named, as were a number of North American groups.

When the three companies built up their stakes, Ultramar revealed that the predators were attempting to put together a consortium to launch an offer for the equity.

Rolls erratic

A national newspaper report *that the UK Government* had turned down an application by Rolls-Royce for funding assistance with the launch of the RB211-524L turbofan, the world's most powerful aero engine, put the shares under *extreme pressure yesterday.* From the outset heavy selling forced the price down and matters worsened following hints in the market that BZW, the London securities house, had downgraded the stock.

Mr Ian Wild, sector researcher at BZW, denied changing his previous profit forecast for the full year of £167m but added that if the press report was confirmed he could well lower his estimate. *Rolls-Royce made no mention* of any official funding refusal — saying only that the negotiations were continuing — when announcing launch orders for the 524L engine later in the day and the shares rallied *strongly. After a session's low* of 155p, they gradually reverted to the overnight position of 162p. Turnover rose dramatically to 21m shares.

The international blue chips rallied from early falls and had already advanced sharply when Wall Street's opening burst sent the London market ahead yet more strongly. The outstanding feature was Beecham, up 20 at 572p with turnover just short of 4m shares. *The stock has been overlooked* in the market advance — traders discounted re-cycled old stories that further sell-offs were in the offing.

Doubting GUS

GUS was one of the more interesting features in the market, the "A" shares maintaining Monday's good form with a rise of 46 to 1148p. Although hopes of a share split and some reported buying-in of stock by the company were widely said to have been behind the rise, those analysts who follow the stock closely were inclined to disbelieve both stores. "A *share split* is unlikely because GUS has no need for such a move, and I doubt there has been any buying-in because the shares are currently beyond the price at which the company would consider acquiring *their* own stock," said one senior analyst.

A more common explanation for GUS's strength, continued the analyst, was that the shares have underperformed the sector recently and were therefore due a good run. "The stock has some catching up to do, and it never takes much to move the share price. I think GUS is also responding to the news that the postal industry is looking more settled." A *dealer* also reported that what demand there was for GUS — only 700,000 shares were traded

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (157).
BRITISH FUNDS (1) Conv. 3½pc '81, AMERICANS (6) BANKS (2) Scandinavian Bk Units, TSB Channel Islands, BUILDINGS (6) CHEMICALS (4) Caird Grp., ICI, MTM, Schering, STORES (8) Centors Ord., Lloyds Chem. 7.5pc Cm. Prf., Wyevale Garden Centres, ELECTRICALS (12), ENGINEERING (14), FOODS (9), INDUSTRIALS (43) AAH, BAA, BSS, Beecham, Black (P.), Boots, British Airways, Brown & Tawse, Carbo, Christies Intl., Dawsongroup, Elsco, Elkem AS, Embart, Gestetner, Glaxo, Grampian Hldgs., Halma, Hampson Inds. 6.5p net prf. 91/03, Hanson Do. 5.75pc, Hughes (H. T.), Huntingdon Intl., Johnson Cleaners, Low & Bonar, Magnolia, Melville, Morgan Crucible, Norfolf House Grp., Nu-Swift, Rank Org., Securicor, Serco, Shanks & McEwan, Siebe, Sketchley, Smiths Inds., Sthn. Business, Spandex, Swallowfield, T & N, Wartsila, Willis (J.), INSURANCE (4) Gen. Accident, Heath (C. E.), Taisho, Utd. Friendly "B" LEISURE (7) Alvesco, Cityvision, European Leis., First Leis., Orient Ex. Htls., Radio City, Radio Clyde, MOTORS (3) Gen. Motors, ERF (Hldgs.), Airflow Streamlines, NEWSPAPERS (6) Black (A. & C.), Bristol Eve. Post, Daily Mail "A", EMAP, Home Counties, Intl. Thomson, PAPERS (6) Carlton Comms., More O'Ferrall, Norton Opax, Saatchi 6¾pc, WPP, Wace, PROPERTY (8) Brixton Ests., Chesterfield, Dwyer, Erostin, Scot. Metrop., Slough Ests., SHIPPING (2) Sea Containers, Tiphook, TOBACCOS (1) Rothmans 12½pc, TRUSTS (36), OILS (1) Highland Participants, OVERSEAS TRADERS (1) Polly Peck Intl., MINES (5) Willoughby's Cons., Anglo Amer., Cons. Gold, Anglesey, Young Grp., THIRD MARKET (2) Beckenham, Takare.
NEW LOWS (8).
CANADIANS (1) Danbus Memory, CHEMICALS (1) Cambridge Isotope Labs., STORES (2) Hogg Robinson, Parkside, LEISURE (2) Hi-Tec Sports, Trillion, TRUSTS (1) Nat. Home Loans, MINES (1) Cons. Mod'tain.

FINANCIAL TIMES STOCK INDICES

	Feb. 7	Feb. 6	Feb. 3	Feb. 2	Feb. 1	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	88.68	89.00	88.92	88.87	88.45	88.43	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.08	97.63	97.45	97.10	97.17	94.95	98.67 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1694.9	1698.2	1689.0	1667.8	1665.4	1355.9	1694.9 (7/2/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	165.8	165.3	166.9	167.1	167.0	254.6	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)

	Feb. 7	Feb. 6	Feb. 3	Feb. 2	Feb. 1	Year Ago
Ord. Di. Yield	4.31	4.38	4.34	4.39	4.40	4.60
Earning Yld %(full)	10.80	10.98	10.87	11.00	11.02	11.59
P/E Ratio(Net)(☆)	11.23	11.05	11.17	11.03	11.00	10.54
SEAQ Bargains(5pm)	33,153	40,423	40,053	32,162	38,612	22,634
Equity Turnover(£m)†	-	*1051.03*	*1424.87*	*1607.74*	*1843.41*	*812.76*
Equity Bargains†	-	46,400	41,223	42,583	51,647	26,138
Shares Traded (ml)†	-	454.0	611.1	854.0	700.3	331.0

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1668.9	1667.8	1675.0	1677.3	1677.5	1678.3	1684.3	1685.7

DAY'S HIGH 1695.0 DAY'S LOW 1666.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.17 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Feb.6	Feb.3
Gilt Edged Bargains	93.5	122.3
Equity Bargains	300.7	267.1
Equity Value	2124.4	2880.0
5-Day average		
Gilt Edged Bargains	103.7	109.0
Equity Bargains	315.8	335.5
Equity Value	3183.9	3559.0

● London Report and latest Share Index: Tel. 0898 123001

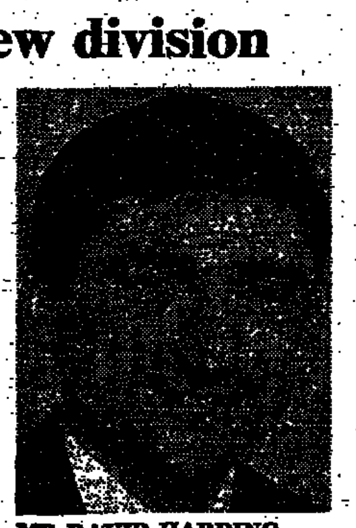
TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,600	155	+2½	Commercial Union	589	395	+5	Land Securities	877	568	-4	Rothmans	568	511	+9
Allied-Lyons	3,600	431	+5	Cons. Gold Fields	317	1439	+19	Laporte	614	427	+4	Royal Bk. Scotland	525	403	
Amstrad	4,300	165	-4	Cookson	1,600	320	+3	Legal & General	980	336	+3	Royal Insurance	1,900	445	+6
Argyll Group	3,100	196	+3	Courtaulds	1,500	312½	+2	Lloyds Bank	3,700	378	+1	STC	2,185	328	+10
Ass. Brit. Foods	541	354	+3	Dalgety	1,000	357	+1	LASMO	536	501	+5	Saatchi & Saatchi	2,050	421	+12
BAA	2,100	311	+19	Dixons	2,500	164	+2	Leerko	2,180	341	+4	Sainsbury	2,200	231½	-1½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPOINTMENTS

TI creates new division



MR DAVID HARDING

■ TI has created a smaller businesses division and appointed Mr David Harding *(right)* as its president and managing director. For the last two years he has played a major role in the acquisition and divestment programme as group director in charge of planning. Mr James Roe has returned to head office as group director in charge of strategic development and rejoined the group executive board. He has been a senior vice president of John Crane International, responsible for the integration of Crane US and Crane UK. Mr Andrew Lane joins from ADT Group as manager, corporate services. Mr Ken Templeton, group financial controller, joins the group executive board.

■ Mr Michael Roberts has been appointed a director of FLEMING INVESTMENT MANAGEMENT.

■ Mr David Paterson has become managing director of WARDLEY DIRECT INVESTMENT MANAGEMENT (WDIML), a newly-established subsidiary of the investment arm of the Hongkong Bank Group. Mr Jack Tang, chairman of the South Sea Textile Manufacturing Co, will be chairman of the first fund, which intends to invest in well-managed growth companies.

The following executives have been elected to the board of WDIML: Mr Bernard Asher, chief executive of Wardley Holdings; Mr Keith Holman, director of Wardley Corporate Finance; Mr Derek Murphy, managing director of Wardley Investment Services (Hong Kong); Mr James Speckman, chief executive officer of Hongkong Bank in Korea; Mr Stephen Swift, managing director of Wardley Investment Services (Hongkong); Mr Nigel Tulloch, chief executive of Wardley Investment Services and Mr Ken Westley, resident director of Wardley, Singapore branch.

■ Mr Roger Wild has become managing director of LIVINGSTON HIRE. He was chief executive of Initial Automatic Services.

■ NCR has appointed Mr Ian Shotton as divisional director, Systemmedia, its business forms and supplies operation. He replaces Mr John Cook who is promoted to assistant vice president, Systemmedia, based in Dayton, Ohio.

■ Mr Ian Taylor has been appointed managing director of GRAMPIAN CONTAINERS' Siteguard division. He was a sales manager at Tiphook.

■ *OPTOMETRICS (U.S.A.)* has made Mr David C. Storey managing director of its UK arm, Optometrics (UK). He was managing director of Pharmacia LKB Biochrom.

■ *MILUPA UK, Hillingdon,* has appointed Mr Michael Dunne as director of finance. He joins from Pharmacia where he was finance director/company secretary.

■ Mr Robert Maxted has been appointed chairman of CARTER HOLDINGS, and Carter Commercial Developments, retail development subsidiary of Speyhawk. He succeeds Mr John Carter, the company's founder, who has retired.

■ NRG LONDON REINSURANCE CO. has promoted Mr P.L. Duffet to general manager and actuary; Mr H.M. Posner to assistant general manager; Mr M.V. Hutchins to financial controller (A.G.M.). NRG Fenchurch Insurance Co., has promoted Mr S.A.J. Hill to general manager.

■ SECURITY PACIFIC HOARE GOVETT has appointed Mr Peter Fenichel as managing director and head of debt distribution. He was with Bankers Trust *International.* Mr Peter Brasier becomes director and head of European corporate finance. He was chief executive of Arbuthnot Latham.

■ Mr Jim Heaton has been appointed area general manager responsible for the STANDARD CHARTERED BANK's Middle East and South East Asia region, succeeding Mr Bob Guthrie who has retired. Mr Heaton was managing director of Standard Chartered Bank Kenya, a wholly-owned subsidiary.

■ Mr Graham Hughes has joined PRIVATBANKEN as internal auditor. He was group financial control director with Hoare Govett. Mr John Farrell, formerly vice president with the Bank of New York, has joined Privatbanken as a senior manager in the corporate finance department.

■ SWINTON LIFE AND PENSIONS has appointed Mr Gary Brierley as compliance officer.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	46.27	46.68xd	49.65	-0.17	5.32
Gilts & Fixed Int	6	114.90	114.90	122.10		8.19
High Inc Equity	6	126.20	128.60	137.50	-1.5	4.33
Worldwide Bond	6	166.2	186.2xd	197.3	-0.5	4.92
Capital Growth						
American Growth	6	157.9	159.9	170.0	-2.4	1.29
Asian Pacific	6	78.46	79.64	85.17	-0.17	1.27
Assets & Earnings	6	150.50	154.30	164.10	-0.4	2.41
Capital Reserve Acc	0	82.95	82.95	85.11	+0.05	4.81
Cmdty & Energy	6	96.55	96.55	103.30	-0.6	0.00
1992 Enterprise	6	52.35	53.36	56.76	-0.45	3.17
European Capital	6	76.90	77.47	82.41	+0.26	0.91
General	6	168.60	169.60xd	180.40	-1.4	2.49
Japan	6	104.9	106.6	113.4	-0.2	0.00
Mastertrust	6	78.45	78.45	83.91	-0.31	1.75
UK Growth Acc	6	190.2	198.7	211.3	-0.3	1.61
UK Growth Dist	6	127.3	133.1	141.5	-0.1	2.41
US Emerging Cos	6	47.52	49.08	52.21	-0.81	0.00
Income & Growth	6	280.5	286.8	305.0	-2.8	3.11
Ethical	6	46.60	47.76	50.80	-0.15	2.46

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0224 633070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	43.58	43.58xd	46.36	-0.34	1.82
Australian	5¼	23.63	23.63	25.13	-0.19	1.21
European	5¼	52.01	52.01	55.33	+0.47	0.00
Extra Income	5	41.68	41.68	44.24	-0.36	5.01
Fund Inv Tst	5	117.0	117.0	124.3	-0.6	2.43
Do Accum	5	178.3	178.3	189.4	-0.9	2.43
Gilt & Fixed Int	5¼	21.71	21.71	23.10	-0.01	10.23
Global Income	5¼	38.18	38.18	40.62	-0.15	4.63
Income & Growth	5¼	70.63	70.63xd	75.13	-0.48	3.91
Japan	5¼	176.3	176.3	187.6	-0.00	0.01
Nth Amer Inc (a)	5	26.79	26.79	28.43	-0.15	3.89
Special Situations	5	68.99	68.99	73.39	-0.02	1.05
UK Growth	5	35.30	35.30	37.47	-0.31	2.58
World Gwth	5	44.49	44.49	47.22	-0.09	0.48
Formerly Sentinel Funds Management Ltd						
American Majors	5¼	61.97	61.07xd	65.19	-0.24	2.82
Amer Tech & Gen	5¼	102.7	102.7	109.7	-0.1	0.00
European Growth	5¼	35.79	35.79	38.21	+0.29	0.00
European Income	5¼	51.33	51.33	54.79	-0.09	1.93
European Spec Sits	5¼	21.20	21.20	22.63	+0.13	0.00
Exempt	1	761.0	761.0	797.4	-6.0	3.14
F East Emerg Econs	5¼	34.46	34.46	36.91	-0.07	0.00

Midland Unit Trusts Ltd (1200)F
192 Eyre Street, Sheffield, S1 3RD 0742 529888

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
British Tst	5¼	53.91	54.15	57.61	-0.4	2.54
(Accum Units)	5¼	53.91	54.15	57.61	-0.4	2.54
Capital	5	112.3	112.4xd	119.6	+0.5	2.53
(Accum Units)	5	160.9	160.9	171.2	+0.6	2.53
European Growth	5	111.8	111.8xd	118.0	-0.1	0.78
(Accum Units)	5	137.1	137.2	144.79	-0.2	0.78
Extra High Inc	5¼	70.51	71.55xd	76.12	+0.16	6.81
(Accum Units)	5¼	94.26	95.60	101.7	+0.2	6.81
Gilt & Fxd Int	4	52.72	52.77xd	55.11	-0.06	7.70
(Accum Units)	4	101.6	101.6	106.1	+0.1	7.70
High Yield	5	206.3	208.3xd	221.6	+0.5	4.95
(Accum Units)	5	389.2	393.0	418.1	+1.0	4.95
Income	5	234.5	234.5	249.5	+0.5	3.81
(Accum Units)	5	416.9	417.0	443.6	+0.7	3.81
Intl High St UT	5¼	53.03	53.03	56.41	+0.07	2.64
(Accum Units)	5¼	53.91	53.91	57.35	+0.07	2.64
Japan & Pacific	5	355.7	358.7	377.1	-0.9	0.00
(Accum Units)	5	373.9	373.9	396.4	-0.9	0.00
Mandarin Tst	5¼	50.96	50.97	54.15	-0.15	1.43
(Accum Units)	5¼	50.96	50.97	54.15	-0.15	1.43
Magd P'folio Acc	5¼	64.22	64.23	68.24		1.90
Money Market UT	4	48.50	48.51	50.44	+0.02	9.34
North American	5	104.2	104.2xd	110.9	-0.9	0.72
(Accum Units)	5	128.1	128.1	136.3	-1.1	0.72
Smaller Cos	5	164.2	164.3xd	174.8	-0.2	2.27
(Accum Units)	5	182.1	182.1	193.7	-0.3	2.27
Meridian Income	5¼	105.1	106.2	112.4		3.80
(Accum Units)	5¼	107.0	108.2	114.5		3.80
Meridian Growth	5¼	108.8	109.9	116.3	-0.2	1.77

Providence Capital Fd Mgrs Ltd (1000)H
30 Uxbridge Road, London W12 8PG 01-749 9111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Worldwide Inc	6	81.32	81.32	88.05	-0.22	0.69
Worldwide Acc	6	84.53	84.53	91.53	-0.23	0.69
UK Equity Inc	6	75.05	75.05	81.50	-0.64	2.24
UK Equity Acc	6	81.49	81.49	88.49	-0.70	2.24
European Inc	6	95.98	95.98	103.70	+0.4	0.97
European Acc	6	99.41	99.41	107.40	+0.4	0.97
Nth American Inc	6	53.60	53.60xd	58.25	-0.48	2.55
Nth American Acc	6	55.75	55.75xd	60.57	-0.49	2.55
Japan Inc	6	111.00	111.00	119.90	-0.1	0.00
Japan Acc	6	111.30	111.30	120.10	-0.2	0.00
UK High Inc Eq Inc	6	67.89	67.89xd	74.05	-0.71	4.85
UK High Inc Eq Acc	6	74.95	74.95xd	81.77	-0.78	4.85
Hong Kong Inc	6	47.89	47.89xd	51.73	-0.2	1.64
Hong Kong Acc	6	49.54	49.54xd	53.51	-0.21	1.64
Swiss Equities Inc	6	31.55	31.55	34.21	+0.3	0.70
Swiss Equities Acc	6	31.82	31.82	34.50	+0.29	0.70
W'wide Bond Inc	6	51.31	51.31	54.88	+0.12	4.40
W'wide Bond Acc	6	52.13	52.13	55.76	+0.12	4.40
Emerging Asia Inc	6	57.31	57.31	62.13	+0.05	0.00
Emerging Asia Acc	6	57.31	57.31	62.13	+0.05	0.00

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	114.9	119.1	126.6	-1.1	2.82
PM Income & Gth	5	104.4	106.0	112.7	-1.5	4.23
PM Nth Amer Gth	5	47.85	47.85	50.90	-0.49	1.48
PM European Gth	5	46.37	46.46	49.42	+0.53	0.90
PM Japan Gth	5	79.98	80.12	85.23	-0.19	0.29
PM Overseas Gth	5	50.13	50.13	53.32	+0.01	0.89

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Grs
Windsor Trust Mngrs Ltd (1000)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Countrl & Equity ♦	5	62.33	64.75	68.89	+0.13	5.86
European ♦	5	56.28	56.91xd	60.54	+0.30	0.46
Far Eastern ♦	5	54.91	54.91	58.59	−0.07	1.22
Growth ♦	5	88.24	92.41	98.30	−0.03	1.69
Income ♦	5	81.81	83.40xd	88.81	+0.14	5.80
Property Share ♦	5	53.29	54.29	57.79	+0.07	2.32
Smaller Co's ♦	5	58.63	61.78	65.73	+0.33	1.66
Formerly RBC Trust Managers Ltd						
RBC Select Gwth Acc ♦	5	60.9	60.9	65.13	+0.73	1.95
RBC Select Income ♦	5	66.99	66.99	71.64	+0.85	3.49
RBC Select Inc Acc ♦	5	71.89	71.89	76.89	+0.85	3.99
RBC Select N Amer ♦	5	51.85	51.85	55.35	+0.57	1.94
RBC Select Intl ♦	5	41.34	41.34	44.21	+0.07	1.48
Wright Seligman Fund Mngs Ltd (1000)H						
11 Bloomfield St, London EC2M 7AY						01-588 0592
Growth	5	94.93	94.93	98.93	+0.67	0.81
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield						0484 602250
Yorkshire General	5½	59.46	61.94	65.89	−0.14	3.18
YUTM SK Equity Inc Tst	5½	58.88	60.70	64.57	+0.08	4.60
YUTM Intl Gwth Tst	5½	46.59	46.59	49.68	+0.14	1.11

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd
Int'l Expt Feb 1 | 429.0 | 446.2

Cent. Bd. of Fin. of Church of England
2 Fore Street, London EC2Y 5AQ 01-588 1815
Inv Fund Jan 31 | 492.95 | 4.71
Fxd Int Sec Jan 31 | 143.75 | 9.95

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INSURANCES

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Continued on next page

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Pioneer Mutual Insurance Co Ltd

16 Crosby Rd, N Waterloo Liverpool 051-928 6655

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	281 1	295.9	...	-
Max Pens Inc & Cap Fds.	364 4	383 6	...	-
Money Fund	116 8	123.0	...	-
Pens Mngd Fd (Init)	99 4	104.7	...	-
Pens Mngd Fd (Acc)	117 9	124 2	...	-
Pens FT30 Fd (Init)	141 2	148 7	...	-
Pens FT30 Fd (Acc)	167 5	176 4	...	-
Pens O'seas MgFd(Init)	69 9	73 6	...	-
Pens O'seas MgFd(Acc)	82 9	87 3	...	-
Pens Fxd Int Fd (Init)	105.5	111.1	...	-
Pens Fxd Int Fd (Acc)	125 2	131 8	...	-
Pens Deposit Fd (Init)	103.0	108.5	...	-
Pens Deposit Fd (Acc)	122.3	128 8	...	-

Premium Life Assurance Co Ltd

37-39, Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	114 0	120.0	...	-
Building Soc. Fd	167 0	176.0	...	-
Balanced	263 0	277 0	...	-
Deposit	166 0	175.0	...	-
European	151 0	159.0	...	-
GT Managed	172.0	182 0	+2.0	-
Gartmore Mngd	111.0	117.0	...	-
German	103 0	109 0	...	-
Gilt	172 0	182.0	-1.0	-
Global	48.0	51 0	...	-
High Inc.	109 0	115.0	...	-
International Equity	173 0	183 0	...	-
Japan	232.0	245.0	...	-
Managed	60 0	64 0	...	-
Property	272 0	287.0	...	-
R W Imperial Gold	125 0	132.0	...	-
UK Equity	352.0	371 0	-1 0	-
Pension Funds				
American	131 0	138 0	...	-
Building Soc. Fd.	164 0	175 0	...	-
Balanced	204 0	215 0	...	-
Deposit	159 0	168 0	...	-
European	148 0	156 0	...	-
German	94 0	99 0	...	-
Gilt	144 0	152.0	...	-
International Equity	127 0	134.0	...	-
Japan	135 0	143 0	...	-
Managed	60 0	64 0	...	-
Property	212 0	224.0	...	-
UK Equity	309 0	326 0	...	-

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Gwth Mngd	556.0	585.9	-0.3	-
Adventurous Mngd.	115.3	121.6	-0.3	-
Secure Mngd	105 6	111.3	-0.3	-
Cash Fd	227 0	239 2	-	-
Property Fund	276 3	294 0	-	-
Equity Fund.	616.1	649.3	+0 9	-
Fxd Int Fund	292.6	308 4	+	-
International	272.7	290 2	-0.3	-
High Income	472.2	497.6	+3 0	-
Far East	426 0	448.9	+0.5	-
North American	233.3	245 9	-2.4	-
Special Sits	576 2	607 2	-4.1	-
Technology	224.5	236 6	-0 4	-
Extra Inc Fd	275.1	289 9	+1 7	-
Convertible & Gilt Fd	150 7	158 8	-0 9	-
American Income	114.3	121 7	-0 2	-
Gilt Fund 20.	303 7	323.1	+1.2	-
European Fund	90.9	96.8	...	-

Prudential Holborn Pensions Ltd

30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	529 4	557.3	-2.0	-
Equity	765.1	805 4	-6.9	-
Global Equity	217.8	229.3	+1.5	-
Fixed Interest	401.2	422 4	+0.6	-
Property	370.3	389.8	+0.4	-
Cash	150.1	158.0	+0.2	-
Index Linked Gilt	190.9	201.0	+1.7	-
Guaranteed	11.75	12 50	...	-
International Money	191.7	201.8	+0.1	-
North American	60 9	64.2	+1.0	-
Japanese	138.6	145 9	+0.5	-
European	78.6	82.8	+1.0	-
Special Situations	114.0	120.1	-0.9	-
Communications	90.6	95 4	+0.1	-
Smaller Companies	104.1	109.6	+0.4	-
International Small Cos.	115.8	121.9	+0.9	-

Prudential Pensions Limited

Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Jan 25.	£138.97	143 67	...	-
Equity Jan 25	£149 40	154.86	...	-
International Jan 25.	£22.84	23.53	...	-
Intl Bond Jan 25	£11.16	11.50	...	-
Fixed Int Jan 25	£71.07	72.02	...	-
Index Linked Jan 25	£57 70	58 43	...	-
Property Jan 25	£102.72	108.63	...	-
Cash Jan 25.	£19 92%	19 92%	...	-
Pre-Linked Retirement Plan				
Managed Feb 1	354.6	369 4	...	-
Cash Feb 1	188.1	196.0	...	-
Prudential Pensions Investment Account				
Pens Mngd Feb 7	145.6	153 3	-1.0	-
Pens UK Eq Feb 7	267.5	281.6	-3.2	-
Pens Intl Feb 7	168.5	177 4	+1.0	-
Pens Fixed Feb 7	166.2	175.0	+0.4	-
Pens Index Lk Feb 7	150 9	158.9	+1.4	-
Pens Cash Feb 7	123.0	129.5	...	-

Regency Life Assurance Co Ltd

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

JERSEY AUTHORISED

LUXEMBOURG AUTH'D

BERMUDA AUTHORISED

OFFSHORE INSURANCES

IoM AUTHORISED

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

BRITISH FUNDS—Contd

Undated

1988/89 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
44⅞	41⅞	Consols 4pc	44⅞	.....	8.91	–
40⅞	37⅜	War Loan 3½pc‡‡	49¼	−⅛	8.72	–
66	48⅞	Conv. 3½pc '61 Aft	65½	+⅛	5.34	–
33¾	30⅞	Treas. 3pc '66 Aft	33¾	+¼	8.89	–
28¾	26⅛	Consols 2½pc	28¼	−⅛	8.85	–
29⅛	26⅛	Treas. 2½pc	28⅞	−⅛	8.87	–

Index-Linked

1988/89 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
125⅞	117½	Treas 2pc IL '90(84.6)	125½	−⅛	0.50	3.17
105⅞	99⅞	Do. 2pc '92‡‡(97.8)	104⅞	−⅛	2.70	3.53
97⅛	92½	Do. 2 '94 (102.9)	97	−⅛	3.02	3.51
142⅞	127¼	Do. 2pc '96(67.9)	141¾xd	−⅛	3.23	3.58
122⅞	103⅞	Do 2½pc '01(78.3)	121⅞	−⅜	3.37	3.61
119⅞	101⅝	Do. 2½pc '03(78.8)	119½	−⅜	3.41	3.62
122⅞	102½	Do. 2pc '06(69.5)	121⅞	−⅜	3.48	3.65
114⅞	95⅞	Do. 2½pc '09(78.8)	114½	−⅜	3.46	3.63
119⅞	99⅞	Do. 2½pc '11(74.6)	119⅞xd	−⅜	3.46	3.61
99⅝	82⅞	Do. 2½pc '13(89.2)	99⅞xd	−⅜	3.44	3.58
107¼	88⅞	Do. 2½pc '16(81.6)	107⅞	−⅜	3.41	3.54
105½	87¼	Do. 2½pc '20(83.0)	105⅞	−⅜	3.37	3.49
89⅞	73	Do. 2½pc '24‡‡(97.7)	88⅞	−⅜	3.34	3.45

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1988:106.2 and for December 1988:110.3

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
19	14⅞	USX $1	18⅛	–⅛	$1.40	–	4.3
154p	44p	♥Unilab	126p	....	–	–	–
26	17⅝	Utd Technologies	26	+⅛	$1.60	–	3.4
163p	27p	♥Utilitech Inc.	149p	....	–	–	–
35½	26¾	US West‡	35½	....	$3.52	–	5.5
26⅞	16⅞	Waste Management $1.	25	–⅞	48c	–	1.1
16¾	12⅞	Whirlpool $1	15¼	....	$1.10	–	4.0
20⅝	15⅛	Whitman Corp.	19⅞	....	96c	–	2.8
33⅞	18¾	♥Woolworth $3½	31½	–⅛	$1.64	–	2.9

CANADIANS

High	Low	Stock	Price	+ or –	Div	C'vr	Y'ld
309p	132p	♥ABM Gold Corp ‡	146p	....	–	–	–
32p	4½p	♥Abbot Energy Corp	12½p	....	–	–	–
14¼	682p	♥Amer. Barrick Res.	11¼	–⅛	–	–	–
10p	2⅛p	♥Amer. Lightwave ‡	2½p	....	–	–	–
47p	7½p	♥Armeno	18½p	....	–	–	–
76p	23p	♥Augmitto Explo	26p	+2	–	–	–
14⅝	10⅝	Bk. Montreal ‡	14½	–⅛	$2.12	–	7.0
769p	514p	Bk. Nova Scot.‡	748p	–14	84c	–	5.4
18¾	15¼	BCE ‡	18⅛	+½	$2.44	–	6.4
716p	527p	♥Bow Valley‡	675p	+1	40c	–	2.8
14½	10½	♥Brascan ‡	14⅛	....	96c	–	3.0
38⅛	28½	Can. Imp. Bank ‡	36¾	–⅛	$2.20	–	3.6
15¼	11⅝	Can. Pacific ‡	14½	–⅛	76c	–	3.2
31½	20½	♥Do. 4pc Deb £100	31½	....	4%	–	12.7
538p	357p	♥Central Capital "A" ‡	349p	–5	–	–	–
11¼	8½	♥Cominco	11⅛	....	–	–	–

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

LONDON SHARE SERVICE

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY—Contd

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	76	......
Craig & Rose £1... γ	710	......
Finlay Pkg. 5p ... γ	89	......
Holt (Jos) 25p..... γ	1235	+5

IRISH

Cap. 8½% Ln. 1991..	£99½	......
9pc Cap Ln. 1996..	£100¼	......
Fin. 13% 97/02....	£122¼	......

Arnotts..................	420	+5
Carrol (P.J.). ..... γ	155	......
Hall (R. & H.).......	165	......
Heiton Hldgs....... γ	69	+2
Irish Ropes..........	170	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	34
BSR	7½
BTR	23
Barclays	34
Beecham	40
Blue Circle	39
Boots	23
Bowaters	36
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	16
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	25
FKI Babcock	12
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	33
GUS 'A'	99
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	43
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	48

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar surrenders early gains

THE DOLLAR reversed a slightly firmer trend in early trading yesterday to finish close to the day's lows and down from Monday's closing level. The US unit remains underpinned by the prospect of higher interest rates. The Federal Open Market Committee started a two-day meeting yesterday, and the consensus of opinion suggests that the Fed may try and push interest rates a little firmer, partly to bear down on the rate of inflation, and also to reduce the pace of economic growth.

However, there was little incentive to push the dollar to fresh highs because central banks are clearly determined to resist a further rise in the dollar. In addition, there is a reluctance to extend already long dollar positions ahead of budget details for the fiscal year of 1990 - due to be released to Congress by President Bush tomorrow.

The West German Bundesbank sold a nominal $16.7m at the fixing in Frankfurt but there was no sign of any repeat of the co-ordinated central bank intervention seen on Monday.

The dollar sell-off came quite late in the day, and was not sparked off by any fresh factors. The US unit finished at DM1.8675 down from DM1.8785 on Monday. It was also lower against the yen at Y129.25 from Y129.65. Elsewhere, it finished at SFr1.5865 from SFr1.5965 and FFr6.3650 compared with FFr6.3950. On Bank of England figures, the dollar's exchange rate index fell from 67.8 to 67.5.

Sterling came back from the morning's lows to finish at its best level of the day and up from the close on Monday. Its exchange rate index finished at 97.4 compared with 97.0 at the start and 97.3 on Monday. There was no fresh news to influence sterling sentiment and the pound moved up against the D-Mark and other European currencies as the dollar lost ground in the afternoon.

Sterling fell below a key support level of DM3.2450 as investors reacted to expectations of a rise in West German intervention rates at the latest Bundesbank sale and repurchase tender, the results of which are due today. However, there was sufficient interest around the day's low to push it back to DM3.2550 at the close, unchanged from Monday. Against the dollar, it rose to $1.7425 from $1.7330, and was also firmer in yen terms at Y225.25 against Y224.75. Elsewhere, it closed at SFr2.7650 from SFr2.7675 and FFr11.0725 compared with FFr11.0825.

The French franc managed to hold steady against the D-Mark despite expectations of a higher rate at the Bundesbank's latest sale and repurchase offering. The D-Mark finished at FFr3.4030 compared with FFr3.4040 on Monday. The French unit derived underlying support from news of a similar tender being held in Paris tomorrow. The argument runs that any rise in West German rates is likely to be matched by a rise in French rates.

£ IN NEW YORK

Feb.7	Latest	Previous Close
£ Spot	1.7370-1.7380	1.7380-1.7385
1 month	0.48-0.47pm	0.49-0.47pm
3 months	1.39-1.36pm	1.39-1.36pm
12 months	3.72-3.65pm	3.75-3.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.7	Previous
8.30 am	97.0	97.4
9.00 am	97.1	97.4
10.00 am	97.1	97.3
11.00 am	97.2	97.3
Noon	97.3	97.4
1.00 pm	97.2	97.3
2.00 pm	97.3	97.2
3.00 pm	97.2	97.2
4.00 pm	97.4	97.3

CURRENCY RATES

Feb.7	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.751896	0.641279
U.S Dollar	6.50	1.30266	1.11454
Canadian $	11.54	1.54131	1.31750
Austrian Sch.	4	17.2537	14.6685
Belgian Franc	7.75	51.4941	43.6929
Danish Krone	7½	9.53221	8.10440
Deutsche Mark	4	2.45590	2.08531
Neth Guilder	5.00	2.77401	2.35481
French Franc	9½	8.36047	7.09574
Italian Lira	12½	1792.92	1521.13
Japanese Yen	2½	169.281	144.255
Norway Krone	8	8.86069	7.53821
Spanish Peseta	-	152.435	129.900
Swedish Krona	8½	8.32335	7.08014
Swiss Franc	4	2.08556	1.77101
Greek Drach.	20½	203.671	173.345
Irish Punt	-	N/A	0.780930

*All SDR rates are for Feb.6

CURRENCY MOVEMENTS

Feb.7	Bank of England Index	Morgan** Guaranty Changes %
Sterling	97.4	-14.7
U.S Dollar	67.5	-10.8
Canadian Dollar	103.0	-0.1
Austrian Schilling	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes, average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Feb.6.

OTHER CURRENCIES

Feb.7	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Arab.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af (Cm)	[illegible]	[illegible]
S. Af (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6929	+2.91	+0.92	±1.5344
Danish Krone	7.85212	8.10440	+3.21	+1.22	±1.5404
German D-Mark	2.05853	2.08531	+1.30	-0.69	±1.0981
French Franc	6.90403	7.09574	+2.78	+0.79	±1.3674
Dutch Guilder	2.31943	2.35481	+1.53	-0.46	±1.5012
Irish Punt	0.768411	0.780930	+1.63	-0.36	±1.6684
Italian Lira	1483.58	1521.13	+2.53	+1.30	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7345 - 1.7455	1.7420 - 1.7430	0.49-0.46cpm	3.27	1.41-1.36pm	3.18
Canada	2.0520 - 2.0635	2.0585 - 2.0595	0.36-0.23cpm	1.72	0.77-0.58pm	1.31
Netherlands	3.65¾ - 3.68	3.66¾ - 3.67¾	1¾-1¼cpm	5.92	5½-5¼pm	5.85
Belgium	67.85 - 68.35	68.10 - 68.20	35-25cpm	5.28	90-75pm	4.84
Denmark	12.59¼ - 12.66	12.64½ - 12.65½	5½-4¾orepm	4.68	14¾-14¼pm	4.57
Ireland	1.2135 - 1.2225	1.2195 - 1.2205	0.55-0.50ppm	5.16	1.53-1.43pm	4.85
W. Germany	3.24 - 3.26	3.25¼ - 3.25¾	1¾-1½pfpm	6.22	5¼-5pm	6.22
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 68.50-68.60. Six-month forward dollar 2.46-2.41cpm 12 months 3.80-3.70cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7345 - 1.7455	1.7420 - 1.7430	0.49-0.46cpm	3.27	1.41-1.36pm	3.18
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.30-39.40.

EURO-CURRENCY INTEREST RATES

Feb.7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅞-9⅝ per cent; three years 9⅞-9⅝ per cent; four years 9¾-9½ per cent; five years 9¾-9½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.7	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.743	3.255	225.3	11.07	2.765	3.673	2373	2.059	68.15
$	0.574	1	1.867	129.3	6.351	1.586	2.107	1361	1.181	39.10
DM	0.307	0.535	1	69.22	3.401	0.849	1.128	729.0	0.633	20.94
YEN	4.439	7.735	14.45	1000.	49.13	12.27	16.30	10533	9.139	302.5
F Fr.	0.903	1.575	2.940	203.5	10.	2.498	3.318	2144	1.860	61.56
S Fr.	0.362	0.630	1.177	81.48	4.004	1	1.328	858.2	0.745	24.65
H Fl.	0.272	0.475	0.886	61.34	3.014	0.753	1	646.1	0.561	18.55
Lira	0.421	0.734	1.372	94.94	4.665	1.165	1.548	1000.	0.868	28.72
C $	0.486	0.847	1.581	109.4	5.376	1.343	1.784	1153	1.	33.10
B Fr.	1.467	2.558	4.776	330.6	16.24	4.057	5.390	3482	3.021	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling above low

CONVERGENCE OF cash rates and futures market prices was one of the few noteable features during a quiet day on Liffe yesterday. At the beginning of the day the downward convergence between March short sterling at 87.24 and a three-month sterling Libor rate of around 13 per cent was 24 basis points.

There was little change at the end of the day, as March short sterling rallied to close at 87.25. This was near the day's high of 87.28, but down from Monday's close of 87.31. At one point the contract fell to a low of 87.21, and dealers pointed out that if bank base rates do not come down by the contract delivery date of March 15 there must be further room for the futures price to fall.

Gerrard & National Intercommodities said there is a growing belief that the trend towards higher interest rates outside the UK has limited the chances of an early cut in base rates. GNI added it is difficult to recommend long positions in short sterling at current levels. Short term moving averages still indicate short positions.

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS [illegible]

LIFFE £/$ OPTIONS £25,000 (cents per £1) [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE SHORT STERLING [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) [illegible]

LONDON SE £/$ OPTIONS [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; US TREASURY BONDS (LIFFE); 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; FT-SE 100 INDEX; THREE MONTH EURODOLLAR; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; POUND-$ (FOREIGN EXCHANGE); IMM-STERLING [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX [illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 34,516

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

A tighter rein

WHOLESALE MONEY rates rose in London and Frankfurt yesterday, reflecting nervousness that the Bank of England and the Bundesbank may wish to tighten monetary conditions.

A weaker pound recently and disappointment at Monday's upward revision to December retail sales figures changed the mood in London. Three-month sterling interbank rose to 13-12⅞ per cent from 12⅞-12¾ per cent.

Sentiment was not helped by a rise in German rates. Three-month money in Frankfurt firmed to 6.00-6.15 per cent from 5.90-6.05 per cent, and call money rose to 5.90-6.00 per cent from 5.80-5.90 per cent. This left call money hovering around the Bundesbank's 6 per cent Lombard emergency financing rate. If rates are to ease the Bundesbank will probably need to provide at least DM13.5bn today, at this week's securities repurchase agreement tender. This is the amount draining from the market, as an earlier agreement expires, but dealers are not convinced the central bank wishes to bring rates down, at a time of rising inflationary pressure and with the D-Mark still vulnerable to a surge by the dollar.

UK clearing bank base lending rate 13 per cent from November 25

In London a large day-to-day credit shortage led to hopes the Bank of England would offer a repurchase agreement on its bill intervention operations. The lack of such an offer tended to encourage the belief the UK authorities wish to keep the market on a tight rein at present.

A money market shortage of £1.1bn was initially forecast, but this was revised to £950m in the afternoon. Total assistance of £982m was provided.

An early round of help was offered and at that time the authorities bought £80m bank bills in band 3 at 12⅞ per cent.

Before lunch the Bank of England purchased another £591m bills outright, by way of £368m bank bills in band 1 at 12⅞ per cent; £25m bank bills in band 2 at 12⅞ per cent; £127m bank bills in band 3 at 12⅞ per cent; and £71m bank bills in band 4 at 12⅞ per cent.

In the afternoon a total of 291m bills were bought by the authorities, via £25m local authority bills in band 1 at 12⅞ per cent, and £266m bank bills in band 1 at 12⅞ per cent. Late assistance of £40m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £536m, with Exchequer transactions absorbing £440m, and bank balances below target £160m. These factors outweighed a fall in the note circulation adding £60m to liquidity.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.7) 3 months US dollars; 6 months US Dollars

bid 9⅝	offer 9⅞	bid 9¾	offer 9⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Prime rate; Broker loan rate; Fed.funds; Fed.funds at intervention; Treasury Bills and Bonds: One month; Two month; Three month; Six month; One year; Two year; Three year; Four year; Five year; Seven year; 10 year; 30 year [illegible]

Feb.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Feb.7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 12⅝ per cent; three months 12⅝ per cent; Bank Bills (sell); one-month 12⅞ per cent; three months 12⅞ per cent; Treasury Bills; Average tender rate of discount 12.5133 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1989. Agreed rates for period February 26, 1989 to March 25, 1989, Scheme I: 13.93 p.c., Schemes II & III: 14.41 p.c. Reference rate for period December 31 to January 31, 1989, Scheme IV&V: 13.171 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from February 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1, 1988. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

[illegible]

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.22% Saveplus 8.47%. Top Tier-£10,000+ Instant access 11.72% & Mortgage base rate. § Demand deposit 8%. Mortgage 13.65% - 14.00%

CROSSWORD

No.6,855 Set by DANTE

ACROSS

1 One caught in the very act of stealing (8)
5 A flicker of light? (6)
9 It's pitiful when dad gets the twitch (8)
10 Lodge among native Indians (6)
12 She takes a long time to grasp the point (5)
13 Switch positions round the oceans when business is slack (3-6)
14 Girl returned to America as a star (6)
16 One who may take one to arms, perhaps (7)
19 Chicken and port (7)
21 Address for delivery? (6)
23 Sluggard making little progress with a tutor (9)
25 Possibly eager to comply (5)
26 Just the thing for a cold in the chest? (3-3)
27 A word of twenty-six letters (8)
28 A fat lot of good as a lubricant (6)
29 Bow Street? (8)

DOWN

1 It's associated with head and tails (3,3)
2 Contemplating dining out about ten (9)
3 The prospects for battered wives (5)
4 It could be disastrous when IOU runs out (7)
6 Two wines favoured in York (5,4)
7 Urban areas to the West, North and South (5)
8 The kindness of people (8)
11 Started with a King (4)
15 Award for Brand X (4,5)
17 Having no remedy but to suffer an island uprising (9)
18 Rousing game in Dutch city (8)
20 Ordered, as whisky may be (4)
21 Erudite professor or one of his proteges, perhaps (7)
22 Small group involved in PE test (6)
24 Nothing disturbs bees like being overweight (5)
25 He takes the animal out what's left (5)

Solution to Puzzle No.6,854

JOTTER PAD

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | ITALY (continued) | SWEDEN | BELGIUM/LUXEMBOURG | NETHERLANDS | SWITZERLAND | NORWAY | SPAIN | SOUTH AFRICA | DENMARK | FINLAND | FRANCE | ITALY | GERMANY | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

CANADA

TORONTO

2pm prices February 7

Quotations in cents unless marked $.

INDICES

NEW YORK — DOW JONES

	Feb 6	Feb 3	Feb 2	Feb 1	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2321.07	2331.25	2333.75	2338.21	2342.32 (31/1/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.32	89.37	89.49	89.49	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	1084.73	1083.44	1076.85	1070.69	1084.73 (6/2/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	189.19	189.54	189.96	189.54	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2338.04 (2348.75) Low 2307.68 (2319.29)

STANDARD AND POOR'S	Feb 6	Feb 3	Feb 2	Feb 1	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite‡	296.04	296.97	296.84	297.09	297.47 (31/1/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	342.59	343.84	343.62	343.87	344.20 (31/1/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	26.72	26.76	26.67	26.68	26.76 (3/2/89)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	166.19	166.50	166.35	166.47	166.63 (31/1/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	324.48	324.88	324.52	323.24	324.88 (3/2/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	406.00	406.35	405.16	403.23	406.35 (3/2/89)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Feb 3	Jan 27	Jan 20	year ago (approx.)
Dow Industrial Div. Yield	3.45	3.46	3.59	3.63

	Feb 1	Jan 25	Jan 18	year ago (approx.)
S & P Industrial div. yield	3.05	3.12	3.13	3.15
S & P Indl. P/E ratio	13.79	13.40	13.30	15.96

TRADING ACTIVITY †Volume Millions

	Feb 6	Feb 3	Feb 2
New York	151.307	172.980	183.430
Amex	12.312	13.520	17.370
OTC	128.290	143.345	163.793

NEW YORK	Feb 6	Feb 3	Feb 2
Issues Traded	1,924	1,937	1,949
Rises	642	778	755
Falls	780	634	648
Unchanged	502	525	546
New Highs	87	97	93
New Lows	9	7	6

CANADA

TORONTO	Feb 6	Feb 3	Feb 2	Feb 1	1988/89 High	1988/89 Low
Metals & Minerals	3564.9	3560.2	3550.7	3558.1	3564.9 (6/2/89)	2238.7 (8/2/88)
Composite	3661.8	3667.0	3653.5	3640.6	3667.0 (3/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1831.50	1837.81	1828.98	1826.15	1837.81 (3/2/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Burlington	4,142,400	49⅛	+ 9⅞	Formica Corp	1,744,500	21½	+ 4⅞
Weyerhaeuser	2,701,100	27⅜	+ ⅜	Texaco	1,414,600	49½	—
RJR Nabisco	2,315,100	99⅛	+ ⅜	BankAmerica	1,369,700	20½	− ⅜
Pan Am Corp	2,163,300	3½	----	Union Carbide	1,265,400	28	----
Navistar	1,776,900	6⅞	----	Maytag	1,212,500	22⅝	+ 1

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 7	Feb. 6	Feb. 3	Feb. 2	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1492.0	1501.5	1512.0	1510.5	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	678.9	686.5	688.9	688.1	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	234.90	234.20	234.10	233.50	236.20 (25/1/89)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	5775.40	5765.60	5753.20	5762.50	5801.80 (31/1/89)	3608.35 (4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	289.65	289.29	288.70	287.30	289.65 (7/2/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	756.8	751.5	755.4	754.4	772.1 (8/8/88)	530.60 (15/1/88)
FRANCE						
CAC General (31/12/82)	452.0	457.3	457.1	451.7	457.1 (3/2/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	106.3	107.3	108.1	107.6	108.1 (3/2/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	564.44	560.11	558.9	552.00	567.51 (5/1/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1687.0	1673.8	1670.7	1650.3	1705.6 (5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1344.94	1345.04	1326.36	1319.56	1371.10 (5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	(c)	3105.96	3059.54	3105.96 (3/2/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	578.33	586.13	580.46	581.19	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN						
Nikkei (16/5/49)	31880.65	31828.75	31685.78	31498.3	31880.65 (7/2/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2472.30	2473.59	2465.62	2456.35	2478.12 (28/1/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	307.7	307.3	307.9†	295.6	310.1 (30/1/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	270.9	269.9	269.8	267.3	271.5 (31/1/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	543.79	542.79	538.07	541.02	549.44 (30/1/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	(c)	(c)	1143.43	1128.34	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1333.0	1304.0	1300.0	1306.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2182.0	2161.0	2151.0	2140.0	2182.0 (7/2/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	279.86	280.36	279.42	280.22	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3594.7	3618.2	3647.4	3646.0	3647.4 (3/2/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	629.9	627.9	625.9	624.6	634.2 (16/1/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	510.8	511.5	509.7	512.0 (27/1/89)	401.0 (21/1/88)

‡Subject to official recalculation. †Corrected Index.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 256.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 7 February 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Oil	72.7m	1,810	+140	Kumagai	37.7m	1,380	+10
Taisei	69.6m	1,490	+10	Asahi Chemical	35.7m	1,220	+50
Fujita	59.4m	1,290	+40	Nishimatsu	35.4m	1,400	-60
Kobe Steel	45.4m	791	+4	Sato Kogyo	32.7m	1,860	-40
Hazama	43.3m	1,330	-20	Aoki Corp	32.5m	1,270	uch

3pm prices February 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
29⅞	18⅛	AAR	.44	1.7	18	535	26	25½	26	+¼
10⅛	8⅝	ACM n	1.01	11.		93	9⅝	9⅝	9⅝	–⅛
12⅛	10¼	ACMIn	1.26a	11.		512	11	10⅞	11	
10⅛	8½	ACM M	n1.01	11.		91	9⅝	9½	9½	+⅛
12⅛	10⅛	ACM Se	1.28	12.		688	10¾	10⅝	10¾	
10⅛	8½	ACMSp	n.75e	8.3		450	9⅛	9	9	–⅛
5¼	2⅝	AMCA	.12e	3.1		77	4	3⅞	3⅞	
6¼	3½	AM Intl				973	5⅜	5½	5⅝	+¼
23⅛	18⅛	AM Int pf	2	8.8		23	22⅞	22½	22⅝	–⅛
65¼	33¼	AMR			9	8476	61½	60½	61¼	+½
26¼	25	AMR pf	2.67	10.		2	26⅝	26½	26½	+⅝
9½	5	ARX				77	5¼	5⅛	5¼	
46¾	35¼	ASA	3a	7.3		526	41¾	41¾	41¾	+⅜
20¼	13⅛	AVX	.24	1.3	9	226	18⅞	18⅝	18⅝	–⅛
52⅞	42⅞	AbtLab	1.20	2.4	15	4460	50⅞	49¾	50⅞	+⅞
20¾	15⅝	AbitiBr g	1			58	18⅛	18	18⅛	+⅛
13⅞	7½	AcmeC	.40	3.8		67	10½	10⅜	10½	+⅛
6⅞	5⅞	AcmeE	.32b	5.1	22	72	6⅜	6¼	6¼	–⅛
29½	17¾	Acuson			25	406	28⅝	28	28¼	–⅜
17	14½	AdaEx	1.52e	12.		69	14⅞	14¾	14⅞	
16⅞	7¼	AMD			63	4638	9¼	9	9⅛	–⅛
43½	28¾	AMD pf	3	9.5		50	31¾	31⅝	31⅝	–⅜
8½	5⅞	Adobe				61	7¼	7⅛	7⅛	+⅛
18½	16½	Adob pf	1.84	11.		4	17¼	17¼	17¼	
9¼	5⅞	Advest	.12	1.4	19	228	8¾	8½	8¾	
52½	39½	AetnLf	2.76	5.4	8	2092	51⅛	50⅛	51¼	+1
44½	24	AfilPb s	.22	.5		1729	42¾	41½	42⅛	+¼
18⅞	13¼	Ahmans	.88	4.9	9	9723	18⅛	17½	18⅛	+⅜
4⅝	1⅞	Aileen			21	14	3⅝	3½	3½	
53⅞	37¾	AirPrd	1.20	2.5	12	1638	47⅝	46½	47⅝	+1⅛
24	14⅞	AirbFrt	.60	2.7	22	100	22⅛	21⅞	22	+⅛
18	10	Airgas			19	16	17½	17⅜	17⅜	–¼
20	17⅛	Airlease	2.40	12.	9	4	19⅝	19½	19½	
9¾	8½	AlaP dpf	.87	9.6		26	9½	9¼	9¼	
23⅛	14⅛	AlskAir	.20	.9	11	1061	u23⅝	23	23⅛	+⅜
19¾	12	Albnyln	.25	1.3	13	94	19¾	18⅝	18⅞	+⅛

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19⅝	9	RoBnE s	.08	.7	26	2752	12⅜	11⅝	11⅞	− ¼
19¼	14¾	Rollins	.52	3.0	17	80	17⅝	17¼	17½	+ ⅜
48¼	27¾	Rorer s	.80	1.9	23	1408	41⅝	40¾	41¼	+ ⅛
8⅝	4½	Rowan				1087	6⅝	6	6⅛	+ ⅛
62⅛	52¼	RoylD	s3.52e	6.1	7	2886	59½	59	59¼	+ ⅜
14	8¾	Roylnt	.20	1.6	15	2109	13⅛	12⅞	12⅞	− ⅜
9⅞	6¾	Royce	.51e	5.8		113	9⅛	8½	8¾	+ ⅛
28¼	21	Rubmd	.44	1.6	22	1234	u28⅜	27½	28½	+ ¾
20⅛	17⅝	RussBr	.40	2.0	31	130	19⅝	19½	19⅝	+ ⅛
18⅞	12⅛	RussTg	.60	4.7	20	22	13	12⅞	12⅞	
19⅞	12½	Russell	.28	1.4	15	329	19⅞	19⅜	19⅝	+ ½
32½	22⅝	Ryder	.58	2.0	17	4941	27⅞	27	27½	+ ⅛
27⅛	15	Rykoff s	.60	2.2	17	529	27⅛	26¾	26⅞	− ⅛
22⅞	13⅞	Ryland	.60	2.6	9	662	u23⅛	22½	22¾	+ ⅛
13½	8⅝	Rymer				.62	10⅜	10½	10¾	+ ¼
10	7¾	Rymer pf1.17		12.		24	9⅝	9⅛	9⅞	
		− S − S − S −								
34½	30	SCEcp	2.48	7.5	11	5689	33⅛	32¾	33	+ ⅛
9½	6½	SCOR U	.10e	1.3	6	67	7⅝	7½	7½	− ⅛
8⅝	7½	SL Ind	.17b	2.0		6	8⅝	8⅝	8⅝	
46⅝	28⅝	SPSTec	1.20	2.8	20	88	43	43	43	− ¼
44⅝	30⅛	SPX Cp	1.20	3.1	16	888	39½	38¾	39¼	+ ½
31⅛	19	SSMC				2156	31¼	30⅞	30⅞	+ ¼
25	17	Saatchi	1.04e	4.6	8	687	22⅛	22	22⅛	+ ⅛
13⅝	11¼	SabnR	1.32e	10.	9	15	12⅞	12⅝	12⅞	+ ⅛
18⅛	13⅜	SigdSo			9	20	16⅜	16	16⅛	+ ⅛
30⅜	21⅝	SafKin	.30	1.1	65	165	28⅞	27¾	28¼	+ ½
9¼	8	SabCas	1.12	13.		60	8½	8¼	8½	
24½	19⅜	StJoLP	1.52	7.1	9	20	21½	21½	21½	
24⅞	8⅛	Salant				191	u25	24	24	− ⅛
90	72⅝	SallieM	.80	.9	17	504	u90½	88	90	+ 1⅜
29⅜	19⅝	Salomn	.64	2.3	19	7345	28⅛	27⅞	28	− ⅛
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅞	21⅛	TECO	1.42	6.2	11	407	22⅞	22⅝	22	
13⅛	7	TGIF			20	33	11	10¾	11	
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
		− X − Y − Z −								
65	50⅛	Xerox	3	4.7	18	3025	63⅛	63⅛	63⅛	− ⅛
44¼	26½	XTRA	.72	1.7	16	280	43½	42½	43½	+ ⅜
33	25	XTRA pf1.94		6.0		16	32⅛	32¼	32¼	
3⅞	2	Zapata				438	3⅛	3	3⅛	
27⅛	17½	Zayre	.40	1.6	170	1299	25⅝	25⅛	25½	+ ⅜
30	14¾	ZenithE				1209	20¾	20½	20⅝	− ⅛
10⅜	8⅞	Zeeln n	.69e	6.9		70	10	9⅞	10	+ ⅛
3	1	vjZenLb				279	1⅞	1⅜	1⅞	
21⅝	15	ZenNB	.80b	4.4	8	89	18¼	17⅞	18¼	+ ½
19⅛	13	Zero	.44	2.3	16	1298	u19½	19⅛	19⅜	+ ¼
29⅜	19	Zurnin	.68	2.4	16	114	28½	27⅞	28½	+ ⅜
11¼	9⅛	Zweig	1.06e	10.		331	10⅝	10½	10⅝	+ ⅛
10⅛	9	ZweigT	n.24e	2.5		x460	9⅝	9⅜	9½	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices February 7

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices February 7

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

FINANCIAL TIMES
Wednesday February 8 1989

AMERICA

General Motors move helps Dow rebound

Wall Street

AN IMPRESSIVE recovery by equities yesterday morning came in spite of worries about higher interest rates and Monday's inversion of the Treasury bill and bond yield curve. Shares recouped all the losses made during the previous four sessions, *writes Janet Bush in New York.*

The Dow Jones Industrial Average started modestly higher and then gained momentum as blue chips rebounded from their weakness over the past few sessions. The rally suggested that investors feel that recent declines have accomplished the necessary correction to January's strong rally, and provides a better technical footing for further gains.

By 2 pm, the Dow was quoted 27.50 points higher at 2,348.57 on active volume of 108m shares.

One significant factor helping the market was news that General Motors has boosted its quarterly common stock dividend by 20 per cent, or $1.50 a share, and the announcement that the car manufacturer also plans a two-to-one stock split. General Motors' shares jumped $3¾ to $93¼, so helping the Dow blue chip index to register its sharp morning gain.

Elsewhere in the car manufacturing sector, Ford added $½ to $55¼ and Chrysler gained $⅜ to $28¼.

The General Motors news tapped a considerable reserve of positive sentiment now built into the market, which is ignoring potentially bad news.

One worrying sign is the inversion in the yield curve which in the past has often presaged a recession. On Monday, the yield on three-month Treasury bills finally rose above the yield on the Treasury's 30-year benchmark issue. Although there have been some technical reasons for the latest inversion, there is a good chance that short-term interest rates will rise even further, deepening the inversion.

Drexel Burnham Lambert announced a change of view of the equity market. Its equity research department has been bullish on stocks since the day after the October 1987 stock market crash but now advises investors to use market strength as an opportunity to reduce equity exposure.

Ms Abby Joseph Cohen, senior investment strategist at Drexel, predicted higher inflation and long-term interest rates by the end of the year, threatening growth in 1990.

The Federal Open Market Committee began its two-day meeting amid expectations that it will authorise raising the Fed Funds target range.

Among blue chip issues, International Business Machines was up $1⅛ at $127⅞, Dow Chemical added $1¼ to $99⅞. Philip Morris added $⅜ to $109¼ but Procter & Gamble dropped $⅜ to $90.

Chelsea Industries jumped $8⅞ to $27⅛ after Kane-Miller, which has a 9.7 per cent stake in the company, said that it planned to acquire the rest in an offer worth $27 a share.

On the over-the-counter market, Regina added $⅜ to $6⅞ after saying it had instructed Bear Stearns, its investment banker, to pursue possibilities for selling the company.

Kollmorgen added $⅛ to $25⅝ after Vernitron said it was willing to consider raising its bid if non-public information were to be made available which showed that a higher price was justified. Kollmorgen has already rejected a $123-a-share offer.

US HealthCare added $⅝ to $7⅞ in heavy trading on the OTC market. It said it knew of no particular reason for the activity other than positive forecasts for Health Maintenance Organisations.

Canada

GOLD issues helped Toronto move slightly higher, in spite of losses by oil and gas shares. The composite index gained 8.2 to 3,665.0.

Royal Trust was unchanged at C$18 after saying on Monday it would buy Pacific First Financial.

EUROPE

Speculative defence stocks encourage Paris

AN easing in interest rate fears left investors focusing on corporate news, both positive and negative, and European bourses ended mixed, *writes Our Markets Staff.*

PARIS recouped some of Monday's losses as speculation in the defence and transport sectors boosted local buying.

The CAC 40 index put on 5.02 to 1,677.14 and the OMF 50 index rose 0.47 to 471.08, having opened at 467.45. Volume was swelled by options trading and was estimated to be higher than Monday's FFr2.5bn.

Labinal, the aerospace electronics systems maker, was suspended after jumping by more than 10 per cent to an all-time high in active trading amid rumours of a possible takeover by Framatome. Labinal added FFr110 to FFr1,075. Framatome is thought by one analyst to be interested specifically in its US subsidiary.

Avions Marcel Dassault benefited from speculation about an imminent Mirage contract – rising FFr91, or 12.3 per cent, to FFr830 – as did defence systems maker Thomson-CSF, which added FFr10.90 to FFr247 amid large demand for call options, according to one analyst.

Transport/electronics stock Alsthom rose FFr20 to FFr524 after news it had won a FFr345m contract to sell 18 electric locomotives to Morocco, and there were also renewed rumours of a possible link with Fiat in a bid to win a slice of Italy's high speed railway project.

CCF, the bank, saw volumes bolstered by an early block trade of about 270,000 shares which fuelled demand and pushed the share price up FFr4.80 to FFr215. At the end of the session 340,000 CCF shares had changed hands. Analysts thought a shareholder was probably reinforcing his stake.

Eurotunnel was the busiest stock yet again, rising FFr2.80 to FFr89.90 with 618,000 shares traded on increasingly favourable brokers' recommendations.

FRANKFURT began strongly but came off towards the close to end mixed as banks ended their business early for the carnival festivities. Although many traders reported thin dealings, volume came out at a surprisingly robust DM3.56bn worth of domestic shares. The FAZ at midsession rose 4.33 to 564.44 but the DAX finished 0.10 easier at 1,344.94.

The market opened and closed an hour earlier because of the carnival, and analysts preferred to wait until business gets back to normal today before drawing conclusions about the market's trend.

Among the features was Deutsche Bank, up DM9 at DM541.50, with support buying reported in the run-up to the subscription period for the bank's rights issue. Chemical BASF was the day's most active stock again, edging up 50 pfg to a new 1989 high of DM298; the firmness of the oil price is seen as helping its oils division and raising 1988 earnings, said one salesman.

Engineering stock MAN fell DM5.50 on profit-taking to DM264. The company goes ex-dividend this month and the stock has risen recently on dividend chasing.

AMSTERDAM was again dominated by DSM, which rose to Fl 120.50, a gain of Fl 4.50 on the day and sharply above its flotation price of Fl 108. The overall market was quieter, with the CBS tendency index rising 1.2 to 165.2.

The rise in DSM was apparently exacerbated when some London market makers were caught with short positions as Amro bank, lead managing the issue, bought strongly later in the day. NMB bank was up Fl 7 at Fl 204 on merger discussions with state-owned Postbank.

KLM, helped by a year-on-year rise in traffic and high hopes from its third quarter results tomorrow, added Fl 1.10 to Fl 47.10. Steel stock Hoogovens climbed Fl 3.80 to Fl 77.80 on a bullish analysts' meeting and despite a wildcat strike at its main production plant.

MILAN fell back sharply after its upward correction on Monday, and the Comit index lost 7.8 to 578.33. The setback was again blamed on worries over the proposed capital gains tax, but one observer commented: "Everyone's flailing round to try and explain what's happening in Italy."

The fall, which took some of the blue chips to their lows for the year, was also attributed to selling by the mutual funds to meet redemptions and to a lack of foreign interest.

ZURICH ended lower as banks fell out of favour on rumours of rights issues and news that Crédit Suisse is being investigated by the government banking commission in connection with a drug money laundering case.

Crédit Suisse bearers fell SFr30 to SFr2,770 and Union Bank bearers lost SFr5 to SFr3,180, while its registered stock gave up SFr3 to SFr627. Gothard Bank announced a rights issue late last week fuelling rumours of similar moves by other banks.

Chemicals continued to benefit from expectations of good results ahead, with Ciba-Geigy bearers putting on SFr15 to SFr3,050. The Crédit Suisse index added 0.9 to 533.8.

MADRID fell back, with the general index giving up 0.5 to 279.86, as banks lost ground.

STOCKHOLM saw heavy selling in SKF after two late intra-firm deals in the stock on Monday hit sentiment. The Affärsvärlden index fell 7.7 to 1,058.9, while SKF free B shares lost SKr18 to SKr454.

BRUSSELS edged higher on selective heavy trading, and the cash index climbed 9.8 to 5,775.4. Chemical issue UCB ended its first day on the new CATS system up BFr125 at BFr10,300 on 1,950 shares dealt.

OSLO reached another pre-crash high, with the all share index rising 3.58 to 408.98 on expectations domestic interest rates would fall.

HELSINKI benefited from Swedish demand and the Unitas index added 5.3 to 756.8.

SOUTH AFRICA

THE WEAK financial rand helped shares build on Monday's gains in Johannesburg. However, trading remained quiet and cautious.

Share prices fail to ignite for Europe's chemical set

Alison Maitland explains the sector's low rating

THE FLOTATION of the first tranche of DSM, the Dutch state-owned chemicals group, has switched the spotlight on to the low value that investors place on European chemical shares.

The offer price for DSM, which began trading on the Amsterdam bourse on Monday, was fixed at Fl 108 ($51), putting it on a prospective price/earnings ratio of less than 5. That is even lower than Akzo's 6.5 multiple, which itself is at a discount of nearly 30 per cent to the Dutch market.

DSM's price was fixed deliberately low to ensure the success of the largest privatisation in Dutch history. Trading got off to a good start this week, with the share price closing at Fl 120.5 yesterday. But the low offer price also reflects the group's main business in bulk, or commodity, chemicals and plastics – areas seen as most vulnerable to an economic downturn.

In spite of a forecast rise in European chemical sector earnings per share of 20 per cent or more for 1988 – far higher than expected a year ago – most of the big chemical stocks failed to benefit fully from the rally in their domestic markets. The share prices of the German majors – Bayer, BASF and Hoechst – underperformed by between 6 per cent and 15 per cent in 1988, according to brokers James Capel.

Chemical sector profits have recovered strongly over the past 18 months thanks to higher demand, fed by stronger-than-expected growth in manufacturing industry, and cheaper oil-based raw materials. European chemical sector output grew by about 7 per cent last year and is likely to expand by 3 per cent this year, according to Warburg Securities, which expects a further 12 per cent rise in chemicals' earnings per share in 1989.

Because their share prices have failed to keep up with this increase in earnings, most European chemical companies trade at a deep discount to their markets. The prospective p/e ratios of the big three German stocks are at a discount of between 22 per cent and 38 per cent, while France's Rhone Poulenc is nearly 40 per cent below the market average, as calculated by James Capel.

That low rating seems likely to continue as long as investors make a link between the devastation wreaked in the chemical sector by the recession of the early 1980s and concern that the current earnings cycle is at or near a peak, with a downturn likely towards the end of this year or next.

Investors have been fearing a downturn for the past few years, with the result that a solid rise in earnings has taken place without being reflected at all in share prices. "People started getting worried about the potential for a peak in the supply-demand balance, and therefore in profits, far too early," says Mr Chris Marsay of Warburg Securities.

"The trading outlook is probably better than a lot of people fear, but the scope for improvement is very limited. We've seen most of the upturn and the best we can hope for is that things continue in the same way for a bit longer. That's not a compelling argument for an investment manager."

ICI may be trading at around a 20 per cent discount to the UK market and on a higher yield, but unless fund managers fear they are missing out on an investment bonanza it is hard to persuade them to buy.

One of the main concerns is that the current high level of profitability will lead to overcapacity as the industry invests in new plants. Mr Marsay believes that with one or two possible exceptions – such as the plastic polypropylene – this worry is overstated. The recession earlier this decade has made companies cautious about building plants and the emphasis has been on expanding existing capacity. Statements of building intention are often aimed at frightening competitors, but "people are prepared to withdraw construction plans at the last minute."

None the less, the entrenched investment view that the cycle of chemical demand is nearing a peak has led even the most bullish analysts to focus on companies that offer some protection against a downturn. Top of many lists are groups with a high proportion of earnings derived from less cyclical activities such as specialty chemicals, pharmaceuticals, agrochemicals and industrial gases. Thus Bayer, Rhone Poulenc and Air Liquide are favoured – although the latter is currently at a premium to the market because of speculative buying based on its Japanese subsidiary's land assets.

The contrast could not be more striking with the non-cyclical pharmaceutical sector, where most European stocks are trading at prospective p/es of between 30 and 50, according to James Capel. Whereas investors seem to discount potential bad news in chemical stock prices, they tend to discount good news, such as prospective drug breakthroughs, when it comes to pharmaceuticals.

It seems that the attitude towards chemicals is unlikely to change without a dramatic shift in economic expectations.

Ms Jackie Ashurst of James Capel believes the sector could enjoy a fillip in the first half as strong 1988 results come through, but that a long-term re-rating will probably have to wait until the next downturn.

Analysts may argue themselves hoarse about how there are fewer producers in most bulk areas than in the early 1980s, how companies have a low debt level and plants are more flexible in their use of raw materials. But investors want the evidence before their eyes. "They haven't yet seen enough of the cycle to get any proof of how that rationalisation has provided a defence against the next slowdown," says Ms Ashurst.

EUROPEAN CHEMICAL STOCKS
% premium/discount in price/earnings ratio relative to local market, based on 1989 earnings

Air Liquide	16.4
Akzo	-27.3
BASF	-22.5
Bayer	-29.4
DSM	-44.0
Hoechst	-32.7
ICI	-18.2
Montedison	-39.8
Norsk Hydro	-43.2
Rhone Poulenc	-39.3
Solvay	-35.3

Figures supplied by James Capel, based on closing share prices Feb 3

ASIA PACIFIC

Stronger yen underpins buoyant session

Tokyo

BUYING on the equity market continued on a buoyant note as investors took encouragement from a stronger yen and a favourable balance of supply and demand, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average began climbing steadily in early trading to reach a high of 31,965.69 before losing momentum on growing concerns over possible restrictions on margin transactions. The Nikkei closed 51.90 up at 31,880.65. The session low was 31,822.92.

In spite of the rise in the Nikkei, share price falls far outnumbered gains by 610 to 342. The Topix index of all listed shares fell 1.29 to 2,472.30, while in London, the ISE/Nikkei 50 index rose 5.40 to 1,992.66.

Volume in Tokyo was a strong 1.96bn shares, well up on Monday's 1.33bn.

"The Japanese market will continue to be very bullish for some time," said Mr Makoto Matsuzaki of Goldman Sachs, the US securities firm.

The market is currently being driven by a favourable demand and supply balance as more investors show a desire to take part in the action and the profits.

The appetites of foreigners and individuals for Japanese equities continues to be huge. Institutional investors, meanwhile, are generally said to be comfortably covered for the rest of this fiscal year, which ends in March, and to be looking to gains for the next. Pension funds are also increasingly attracted to equities, while a substantial amount of redemptions of savings debentures is expected to flow to the equity market.

There was some concern that the fast rise in the market could lead to restrictions on margin transactions. Nevertheless, even a decline of 400 to 500 in the Nikkei would not have too negative an impact, according to Mr Matsuzaki, who said such a fall would be a perfect incentive for investors to buy cheaply.

Early trading focused on issues related to fiscal spending, particularly construction stocks which have surged in the past few sessions. Some of these succumbed to later profit-taking, with Sato Kogyo closing down Y40 at Y1,860.

Taisei maintained its strength, however, adding Y10 to Y1,490 on the day's second most active trading of 69.6m shares.

Interest later shifted to hedges against inflation, such as oils, non-life insurance companies and nonferrous metals groups. Nippon Oil topped the most actives list with 72.7m shares traded, rising Y140 to Y1,810. It was also popular as the leader in an industry facing substantial restructuring, with various restrictions to be removed in the near future.

Interest in domestic demand-related issues supported the equity market in Osaka. The OSE average gained 32.64 to 30,356.00. Turnover increased to 185m against the 133m traded on Monday.

Roundup

SYDNEY was hit by heavy early selling as Wall Street finished lower and interest rate worries continued to weigh on investor sentiment. Hong Kong, Singapore and Taiwan remained closed for new year celebrations.

AUSTRALIA saw losses stemmed by active trading in options but still ended lower for the fifth consecutive session on lingering worries over the domestic economy and interest rates.

The All Ordinaries index lost 9 to 1,491.5 and turnover reached 76.7m shares worth A$127.4m, much of it down to options-related trading. The gold marker dropped by 21.7 to 1,408.7, to hit its lowest level since last February 11.

Coles Myer rose 2 cents to A$8.76 on news of increased sales, while Boral recovered from the previous day's loss to stand 2 cents higher at A$3.31, on turnover of 1.56m shares.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 6 1989					FRIDAY FEBRUARY 3 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	149.94	-0.6	128.27	113.09	4.72	150.78	128.36	114.02	157.12	91.16	93.74
Austria (18)	94.57	+0.0	80.90	92.18	2.67	94.55	80.49	92.23	100.00	83.72	86.33
Belgium (63)	133.40	+0.3	114.12	129.95	3.95	133.00	113.22	129.88	139.89	99.14	114.24
Canada (125)	136.56	+0.0	116.83	116.98	3.12	136.52	116.22	117.09	136.56	107.06	108.05
Denmark (39)	155.65	+0.3	133.16	154.44	1.96	155.25	132.17	154.25	161.60	111.42	114.91
Finland (26)	137.80	+1.8	117.89	125.11	1.40	135.30	115.19	122.64	139.83	106.78	110.17
France (131)	117.43	-1.0	100.46	117.80	2.76	118.60	100.97	118.92	119.33	72.77	78.60
West Germany (102)	84.47	+0.2	72.26	82.49	2.29	84.28	71.75	82.31	90.40	67.78	70.32
Hong Kong (45)	129.38	+0.0	110.69	129.55	3.83	129.37	110.13	129.55	129.38	84.90	84.90
Ireland (17)	135.15	-0.3	115.62	133.87	3.83	135.56	115.41	134.00	144.25	104.60	106.41
Italy (98)	79.84	+1.0	68.30	81.75	2.47	79.02	67.27	80.97	86.88	62.99	64.50
Japan (456)	192.79	+0.4	164.93	158.00	0.47	192.11	163.55	157.38	197.43	133.61	148.87
Malaysia (36)	156.77	+0.1	134.11	164.65	2.59	156.63	133.34	164.53	156.77	107.83	109.46
Mexico (13)	162.50	+0.5	139.02	411.65	1.24	161.66	137.62	409.17	182.24	90.07	137.60
Netherland (38)	112.88	-0.5	96.57	109.35	4.54	113.43	96.57	109.88	115.04	95.23	96.16
New Zealand (24)	73.78	-0.2	63.12	63.91	6.16	73.96	62.97	63.91	84.05	63.32	66.90
Norway (26)	157.68	+1.0	134.90	145.21	1.87	156.10	132.90	143.18	161.54	98.55	99.52
Singapore (26)	139.63	+0.1	119.45	124.15	2.15	139.48	118.74	124.15	139.63	97.99	99.68
South Africa (60)	123.90	+1.5	105.99	107.26	4.40	122.09	103.94	106.54	139.07	98.26	120.57
Spain (42)	146.19	+0.6	125.06	129.46	3.64	145.28	123.68	128.99	164.47	130.73	135.87
Sweden (35)	148.84	-0.8	127.33	140.41	2.15	150.09	127.77	141.59	150.22	96.92	107.26
Switzerland (57)	75.81	+0.3	64.85	75.03	2.26	75.60	64.36	74.80	86.75	74.13	78.34
United Kingdom (314)	147.87	-1.6	126.50	126.50	4.29	150.26	127.92	127.92	150.26	120.66	123.08
USA (569)	120.44	-0.3	103.03	120.44	3.55	120.82	102.86	120.82	120.99	99.19	101.78
Europe (1006)	118.10	-0.7	101.04	108.72	3.50	118.97	101.28	109.29	119.66	97.01	97.32
Nordic (126)	143.62	+0.0	122.87	132.74	1.98	143.63	122.27	132.73	144.52	98.11	104.50
Pacific Basin (676)	188.33	+0.3	161.12	154.73	0.69	187.74	159.82	154.20	192.26	130.81	144.25
Euro-Pacific (1682)	160.23	+0.0	137.08	136.44	1.53	160.23	136.41	136.33	161.61	120.36	125.50
North America (694)	121.31	-0.3	103.78	120.25	3.52	121.66	103.58	120.62	121.75	99.78	102.11
Europe Ex. UK (692)	99.72	+0.0	85.31	97.72	2.84	99.71	84.89	97.74	102.91	80.27	81.33
Pacific Ex. Japan (220)	134.80	-0.3	115.32	113.45	4.30	135.21	115.11	113.95	137.41	87.51	88.62
World Ex. US (1880)	159.05	+0.0	136.07	135.64	1.60	159.03	135.39	135.53	160.23	120.26	124.86
World Ex. UK (2135)	143.78	+0.1	123.01	130.90	1.99	143.69	122.32	130.81	143.93	111.77	115.22
World Ex. So. Af. (2389)	144.26	-0.1	123.41	130.63	2.18	144.40	122.93	130.69	144.48	113.26	115.88
World Ex. Japan (1993)	120.77	-0.4	103.32	116.07	3.56	121.29	103.26	116.51	121.36	100.00	100.12
The World Index (2449)	144.13	-0.1	123.30	130.47	2.20	144.26	122.81	130.53	144.36	113.37	115.91

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

CONSTITUENT CHANGE: Woolworths (Australia) was deleted on Feb.6. Markets Closed Feb.6 :Hong Kong, Malaysia, New Zealand and Singapore.
Latest prices were unavailable for this edition.